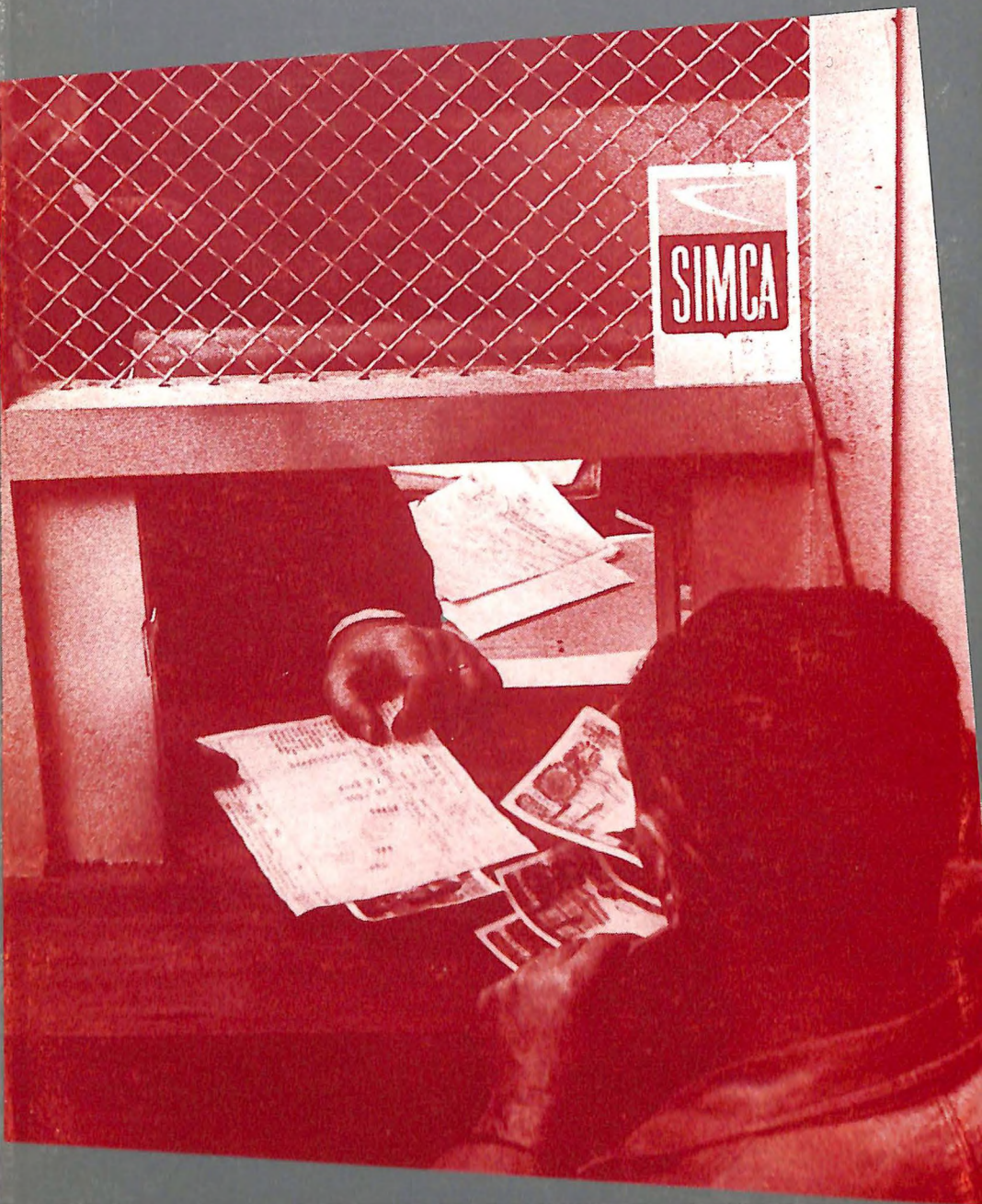


Capital & Class

NUMBER 28 ● SPRING 1986



NUMBER 28
● SPRING
1986

Capital & Class

Journal of the Conference of Socialist Economists

The Conference of Socialist Economists was formed in 1970. We are committed to the development of a materialist critique of capitalism in the Marxist tradition and within the labour movement. Membership of CSE covers a broad political spectrum which generates wide-ranging debates, unconstrained by the bourgeois divisions of intellectual labour into 'economics', 'politics', 'sociology', 'history', etc.

Subscribers to *Capital and Class* automatically become members of CSE. This enables them to attend the annual CSE conference and to play an active part in the work of the CSE local groups. CSE also organises many working groups which presently cover areas like: new technology, money & finance, public sector, law & state, regionalism, the internationalisation of capital.

Every member of CSE receives the bi-monthly newspaper *Politics & Profit*, which has up-to-date economic and political analysis and acts as a notice-board for CSE activities.

Contents

5

BEHIND THE NEWS 1:

Northern Ireland (I)

Ronnie Munc

In a broad review of the recent Anglo-Irish accord, the author identifies the contradictory responses of the loyalist, republican and Southern Irish opinion to it, and argues that the agreement has to be seen in its proper historical and political context.

Northern Ireland (II)

Paul Bew

argues that the Anglo-Irish accord offers less hope of reform than a commitment by England to use the institutions of direct rule to modernise and democratise.

16

BEHIND THE NEWS 2:

Fowler's foul plans

Angus Erskine

draws out the implications of the government's proposed reform of social security, and shows that this reform is part of the monetarist project to reconstruct relations based upon the discipline of the market.

25

Thatcherism, populist authoritarianism and the search for a new left political strategy

Fiona Atkins

argues that the current British debates on Thatcherism are too US-centric and should draw more widely on third world debates on populist authoritarianism.

49

Labour migration, racism and capital accumulation in western Europe

Robert Miles

This article examines the historical development and contemporary relevance of labour migration in western Europe. It argues that Marxists have to take more seriously the whole question of the role of migrant labour within the political economy of contemporary capitalism.

87

Ethnic/racial divisions and the nation in Britain and Australia*Nira Yuval-Davies*

105

Nicaragua: The fifth year – transformations and tensions in the economy*Carlos M Vilas*

139

Debate on capitalism and development: The theories of Samir Amin and Bill Warren*Haldun Güllalp*

160

Fixed and circulating capital*Felton C Shortall*

analyses the implications of the distinction between fixed and circulating capital for a Marxist theory of price formation, divisions within the capitalist class and the periodisation of capitalism.

187

REVIEW ARTICLE

What's in a strategy? The London Industrial Strategy and municipal socialism*Alan Cochrane*

194

BOOK REVIEWS

Carolyn M Vogler: *The Nation-State*. Reviewed by Sol Piciotto

Christopher Hird: *Challenging the Figures*. Reviewed by Robert Bryer

Clause Offe: *Disorganised Capitalism*. Reviewed by John Urry

Eric R Wolf: *Europe and the People without History*. Reviewed by Robert Miles

Patrick Wright: *On Living in an Old Country – The National Past in Contemporary Britain*. Reviewed by Bob Lumley

Roger Jowell and Sharon Witherspoon: *British Social Attitudes: the 1985 Report*. Reviewed by Andrew Gamble

Notes on
Contributors

213

4 Editorial Committee

Esther Breitenbach, Mike Cowen, John Grahl, Ariane Hegewisch, Rhys Jenkins, Kathy O'Donnell, Ruth Pearson, Rachel Sharp, John Solomos, Steve Tolliday.

Membership rates

See current subscription forms at the back.

Published three times a year by Conference of Socialist Economists, 25 Horsell Rd, London N5.

Typeset by Kate Macpherson, Clevedon, Avon.

Design Roger Huddle (Artworkers).

Printed by A Wheaton & Co Ltd, Exeter.

Bookshop distribution by Central Books, 14 The Leathermarket, London SE1 3ER.

Contacts

Articles submitted for publication and related correspondence to Kathy O'Donnell, School of Economic Studies, University of Leeds, Leeds LS2 9JT.

Books for reviews to: John Solomos, Centre for Research in Ethnic Relations, University of Warwick, Coventry CV4 7AL.

Notes for contributors

Capital & Class welcomes all contributions within the general scope of the CSE, including short notes and polemics, correspondence, review articles and pieces with a topical political relevance. The maximum length for articles published is now 12,000 words, including notes and references, and the Editorial Committee reserves the right to sub-edit articles to improve readability. The members of the Editorial Conference are elected at the annual conference of the CSE.

Material submitted to *Capital & Class* is assigned by the coordinating editor to at least four other people for comment, normally two members of the Committee and two external referees. For this reason, *six copies of the article should be provided*. Authors may be asked to rewrite parts or the whole of an article if referees' comments or suggestions are accepted by the Committee. *Please type the*

articles clearly, using double-line spacing (including quotations) and wide margins.

Capital & Class style. If we want socialist ideas to become the common sense of our age, we must write simply and accessibly – form too is political.

Keep it short: use short, simple words, short sentences and short paragraphs wherever possible.

Keep it active: active forms of the verb are almost always livelier than passive forms; use verbs rather than nouns to get ideas across.

Curb clichés: avoid rhetoric, unnecessary jargon and acronyms (unless instantly recognisable).

Purge parentheses: lengthy explanations within a sentence usually indicate that two or more sentences are required for clarity.

Authors should particularly avoid sexist formulations.

An article should make clear to its readers, at or near the beginning, why it is worth reading – summarising the main argument and explaining its political and strategic significance for socialists.

Illustrations must be 'camera ready', that is, neat, tidy and legible, in a form ready to be photographed and reproduced. We cannot afford to re-draw graphs or diagrams.

Notes. C&C articles do not have 'footnotes', that is, notes at the bottom of each page. Instead, notes are cited by number and collected at the end of the text, under the heading *Notes*. Such notes should be used sparingly to expand on points in the text, not to give sources of information. That is dealt with in a separate section, *References* (see below).

References. C&C prefers a modified version of the Harvard referencing system, which is intended to minimise the amount of page-turning required to make sense of the article. In the text, author, date of publication and page number are quoted, in brackets. Then, at the end of the text, after the *Notes*, a list of all sources is provided.

In this list of *References*, works should be listed in alphabetical order of the author's surname. Begin with the author, followed by the date in brackets. Underline the title of books, and the title of journals, so that these will be italicised in the printed volume. Place the publisher's name in brackets. Use as little punctuation as possible.

Copyright for the whole journal rests with the CSE; for individual articles it rests with the author. Requests from publishers to reprint articles will be referred to the author. C&C leaves to the author's discretion how much of any reprint fee should be donated to the journal.

Behind the news:1

● The signing of the Anglo-Irish agreement on Northern Ireland raises once again the question of the political future of the 'six counties'. The following two articles provide a critical analysis of the recent accord, from two rather different positions. Ronnie Munck sets the accord in its historical and political context, and argues that it is an inherently unstable agreement which will not necessarily resolve the underlying problems. Paul Bew's lively polemic argues forcefully that the accord is at best a substitute for serious structural reforms in the economic and civil liberties field.

Ronnie Munck Northern Ireland (i)

THE ANGLO-IRISH agreement signed by the Taoiseach Garrett Fitzgerald and Prime Minister Thatcher in November 1985 is widely regarded as a watershed in the politics of Northern Ireland. Excessive expectations are invested in this agreement and, at the same time, it gives rise to seemingly irrational fears. To assess its implications we trace the background to the agreement, and then evaluate Loyalist and Republican reactions. 5

Background

The Republican hunger strike of 1981 questioned the very essence of British involvement in Irish politics. Since the

6 mid-1970s the IRA offensive had been effectively thwarted and the due process of law was used to 'criminalise' its prisoners. By reducing violence to an 'acceptable level' the British armed forces could now cede the front line to the local Royal Ulster Constabulary (RUC) and Ulster Defence Regiment (UDR). Thus once again the conflict could be presented in terms of an 'Irish problem' in which Britain was just a concerned bystander. By stripping IRA prisoners of the 'political' label, and phasing out the unseemly internment without trial, Britain would be seen by all as the unfortunate victim of a mindless terrorist campaign. The hunger strike changed all that. Those who died to regain the status of political prisoners could not be confused with burglars and other 'ordinary decent criminals'. At a broader level, the outpouring of nationalist solidarity was on a scale unseen since the early 1970s. The legitimacy of British rule in Ireland was questioned by wider layers than ever before, both here and abroad.

Thus began a process of negotiation between the governments of the United Kingdom and the Republic of Ireland to find a more stable solution for one's 'troubled province' and the other's 'six counties'. The Republic's New Ireland Forum of 1983 had come up with three options: 1. a united Ireland, 2. a federal solution, and 3. joint authority by Dublin and London over Northern Ireland. Margaret Thatcher's government had negotiated with the Fianna Fail government of Charles Haughey and later with the Fine Gael/Labour coalition led by Garrett Fitzgerald. Yet, after the 1984 talks Thatcher, when questioned on the viability of the Forum options, replied with a brisk 'Out, out, out.' A rational Marxist could have explained this as an irrational outburst, because in the long run a stable united capitalist Ireland was

the best solution for imperialism. It is safe to say, however, that when an agreement finally did emerge from the negotiations the boldness of its proposals took many by surprise.¹ Was this joint authority in all but name? Or was it, as the more weary observers predicted, simply an attempt to co-opt Dublin in the drive against the IRA? Certainly rational 'solutions' have been proposed in the past and come up against the intractable contradictions of the situation.²

The Anglo-Irish Agreement

To assess the possible impact of the agreement it is necessary to outline its main elements. The document begins by setting out the common interests of both governments in peace and stability and the marginalising of those committed to violence. Article 1 confirms the status of Northern Ireland as part of the United Kingdom, and decrees that this will not change while a majority of the people there so wish it. Article 2 sets up an inter-governmental conference to deal with political, security, legal and cross-border matters, while stressing that there is 'no derogation of sovereignty', and Article 3 sets up the machinery to carry out these aims. Article 4 sets the parameters of this conference as 'the accommodation of the rights and identities of the two traditions' in NI, to cooperate against terrorism and work towards the devolution of power in NI. Article 5 speculates on what changes may take place in the cultural domain, such as the abolition of the Flags and Emblems Act (which bans the flying of the Irish tricolour in the North), and states that should devolution fail, the inter-governmental conference will allow the Dublin government 'to put forward views' on matters concerning the nationalist minority; while Article 6 extends this

right to various statutory bodies in the North such as the Fair Employment Agency and the Police Complaints Board. Article 7 deals with means to increase the efficiency of the security forces by a harmonisation of criminal law in both jurisdictions and an increase in public confidence in its operation. Articles 9 and 10 deal with cross-border cooperation on security, economic, social and cultural matters. Closer liaison between the police on both sides of the border is prioritised, with a 'programme of works' set in hand to deal with technical cooperation, training of personnel and operational resources.

A first response would be to argue that many of these points simply codify and ratify existing practices. For some time now there has been a Dublin input to the politics of the North. It was not simply Loyalist paranoia which saw the hand of Dublin in last summer's banning of provocative Orange parades. The extradition of political prisoners to face charges in the North has been underway for some time, even if the results have been somewhat embarrassing as in the case of Dominic McGlinchey (regarded as 'the most wanted man in Ireland') who was handed back due to inadequate evidence. Cross-border economic cooperation is also of course nothing new, although a large injection of US and EEC cash could put more vigour into this process. Dublin is granted no more than the right to 'put forward views and proposals'. This cannot really be seen to amount to 'joint authority'. Indeed, the agreement is quite specific on the question of sovereignty, maintaining the constitutional *status quo* and so on. The major concessions on these underlying issues have been made by the Dublin government which now recognises *de jure* as well as *de facto* the status of Northern Ireland. Some slight reform of the UDR, a 'code of practice' for the RUC, and a few more

Catholic judges sitting in the Diplock courts, cannot alter this essential fact. Tom King, Secretary of State for NI, bolstered this interpretation when he told a European audience that Fitzgerald had to all effects and purposes recognised that there would not be a united Ireland in the foreseeable future.

There are of course new elements in the agreement which need to be taken seriously. The potential for US and EEC involvement is now greater. In the first instance the Reagan administration has promised some \$300 million worth of economic aid for the North to be administered under their supervision. The EEC will also be asked to contribute, and there is at least a chance that the British government will be less hostile to future EEC initiatives than it was to the Haagerup Report, for example. Yet it would be far-fetched to argue on this basis that the conflict in the North had been truly 'internationalised' and that a far-sighted imperialist plan was being put into action. It is a containment exercise on behalf of the British government to deal with a bothersome local problem, not a super-power intervening with a major plan to deal with an international trouble spot. It is often overlooked that the agreement contains a proviso that if devolved government can be established then the inter-governmental conference will lose much of its role. Indeed, this is precisely what Thatcher told Unionists in an interview with the *Belfast Telegraph* (17 December 1985). While Thatcher was telling Unionists they had it in their power to end the conference (by agreeing to power-sharing with the SDLP) Fitzgerald was insisting that the conference would remain in existence to deal with security matters, human rights and 'matters of identity'. Only a month after its signature it appeared that there were two different agreements

8 involved.

When we reflect on the first few months since the agreement was signed, the general picture is one of 'old wine in new bottles' and not a dramatic break-through. The underlying problem as far as London and Dublin are concerned is the weakness of constitutional nationalism in the North, in other words the crisis of the Social Democratic and Labour Party. This is virtually the last chance for the SDLP to regain the terrain lost to Sinn Féin since 1981. From the Forum Report to the Hillsborough agreement, a major concern of *both* bourgeois states has been to promote this 'safe' nationalist party. For this to work, the situation on the ground in Northern Ireland would have to change. Yet the supergrass trials continue (witness the sentences in the Kirkpatrick trial), the UDR still operates (the SDLP's deputy leader Seamus Mallon was himself detained recently), and nationalist 'alienation' (to use the buzz word) continues. There are two other areas where things remain much the same: discrimination at work and out of it. Short's, the aircraft and missile company in Belfast, has been under scrutiny for its employment practices in the past, especially when major US contracts were in the balance. In December, the government's Fair Employment Agency, which has statutory powers to overcome religious discrimination at work, threatened to withdraw Short's fair employment certificate because of its failure to implement a positive action campaign. In spite of some recruitment of Catholic apprentices the workforce was still of between 92% and 97% Protestant composition according to the FEA. As to unemployment, Bob Rowthorn has recently estimated that the NI average of about 25% unemployed masks a difference between a 20% Protestant unemployment rate and a 40% Catholic unemployment rate.³ Even more signific-

ant is the fact that the gap between the two communities is widening, in spite of government assurances to the contrary.

Loyalist reaction

As the agreement was being signed at Hillsborough Castle, Loyalist reaction was already being felt. The cries of 'No Surrender!' had begun: Thatcher was accused of treason, and Tom King was called 'a lily livered cur'. Behind the theatrics, however, was a massive mobilisation of all sectors of the Protestant population, which even led to a virtual split in the 'non-sectarian' Alliance Party. This mobilisation culminated in a 100,000-strong demonstration outside Belfast City Hall where the 'fur coat brigade' mingled with the Tartan gangs. This was one-tenth of the Protestant population out on the streets and some thought the Thatcher government had miscalculated. More likely, this type of reaction was calculated for in the British 'battle plan'. When the first meeting of the secretariat which will service the inter-governmental conference took place early in December, Loyalists massed outside the Maryfield offices where it was held. The security issue dominated the agenda of this inaugural meeting (already the two police chiefs had met) but Loyalist shipyard workers launched the accusation of treachery and sell-out. For the new year, the Young Unionists announced a repeat of the People's Democracy 1969 long march from Belfast to Derry which helped launch the civil rights campaign. Ironically, in 1986 the same tactics would be used to demand democratic rights for Unionists, i.e. the right to reject the Anglo-Irish treaty.

For the Unionist politicians the agreement was truly traumatic. The Northern Ireland Assembly set up by James Prior in 1981 now became the centre of their poli-

tical world as they resigned their Westminster seats to have a 'referendum' in the North on the Anglo-Irish treaty. The historical contradictions of Unionism were out in the open. Here was the pro-British faction of Irish politics openly confronting the Westminster government. Yet they were well aware that if the full logic of their position was implemented, the end result would be UDI (Unilateral Declaration of Independence), something they neither wanted nor could handle. Thus Official Unionist MP William Ross lambasted the treachery and weakness of successive British governments since 1969, and in particular the abolition of Stormont. He went on however to warn against rioting and violence as a response to the deal: 'We must keep our anger and protest under control, and we will win in spite of Margaret Thatcher and the IRA'.⁴ In spite of the rhetoric Ross knows that Thatcher is no ally of the IRA, which remains their real enemy: 'The IRA have increased their power and influence to the point where contractors can no longer work for the security forces . . .' To defeat the threat of the IRA a deal with Dublin makes sense, yet Unionism simply cannot accept anything which 'leads down the slippery path' to Dublin rule. By blocking the accord (if they succeed in doing so) they will of course strengthen the IRA because constitutional nationalism will be seen patently to have failed.

The Loyalist paramilitaries at first responded with caution, in part because of their mistrust for the 'middle class' politicians. During last summer's Loyalist confrontations with the police over re-routing of Orange parades, the Ulster Defence Association took a back seat. As late as October the UDA leadership were denying that the Anglo-Irish talks would produce anything significant.⁵ Eventually of course the UDA began to mobilise its periphery

through the Ulster Clubs (a conscious throwback to the bodies set up to oppose Home Rule in 1912) and was soon issuing dire threats. Large-scale paramilitary action was openly advocated by UDA leaders and its illegal front, the Ulster Freedom Fighters, issued death threats to the members of the proposed Anglo-Irish secretariat. It even declared that residents of the Republic who crossed the border would be considered legitimate targets. No one doubts the capacity of the UDA and the Ulster Volunteer Force to launch a new sectarian assassination campaign. They may even be able to bomb some border towns in the Republic. What seems increasingly unlikely is their capacity to carry out a general strike on the scale of the Ulster Workers' Council in 1974 which put an end to the last power-sharing exercise in the North. This time the British state seems determined to face down any challenge to its plan of this type, and Protestant workers are probably less keen to indulge in such risky actions.

Republican reaction

Republican reaction to the agreement was at first more muted than that of the Loyalists. The operations of the IRA are never directed at this or that political agreement, but follow a logic of their own directed at the removal of the British presence in Ireland. Having said that, the Christmas 1985 message from the Republican leadership made the sober assessment that 'Our enemies have hatched a highly sophisticated counter-revolutionary plan at Hillsborough . . . No one should doubt that this is the most elaborate and determined of schemes yet contrived by the British in 16 years of struggle . . .' An interview with Sinn Féin President and Westminster MP Gerry Adams elaborated this theme arguing that the agreement was directed fundamentally against the Republican

10 movement.⁶ He argued that 'Concessions are needed in order to neutralise the nationalists. Repression is needed in order to appease Unionists and defeat the IRA'. Critics have taken up this analysis which allows for an element of appeasement as well as repression, arguing that the agreement simply contains no concessions to nationalists.⁷ Perhaps some of the concessions are symbolic – such as those related to recognition of nationalist 'cultural identity' – but reforms of the courts and the security forces are more far-reaching (if implemented fully of course). It remains a fact that whatever degree of concessions are granted they are not due to pressure from the Dublin government but from the unremitting campaign of the IRA and its support from a section of the nationalist community.

While Republicanism was not stamped into a hasty military 'response', the IRA did step up its campaign in the wake of the agreement. In the course of December six RUC barracks were attacked by the IRA in what some observers deemed the most effective IRA tactic for years. In the Ballygawley attack, the police barracks was overrun by a strong IRA contingent which then proceeded to blow up the building. These operations awoke memories of the 1919–21 war against Britain during which the IRA systematically deprived the Royal Irish Constabulary of its operational bases. To add insult to injury, the IRA then proceeded to threaten building contractors with death if they should engage in rebuilding work. These threats, which were remarkably effective, were also directed at the builders engaged in the construction of new prisons. Since then British contractors have refused the lucrative bonuses offered to carry out this work. These latest events only confirm what senior British military figures will only admit to in private: the IRA cannot be defeated by

military means; it can only be thwarted by political advances. It also confirms the IRA's ability to surmount the problem of the supergrass (which has virtually decimated the Irish National Liberation Army) and move into a higher military gear while retaining the level of electoral support built up by Sinn Féin since the hunger strikes.

The British left, when they discuss Ireland at all, tend to focus on the nature of the Republican movement. In recent years this debate appears to have been polarised by the emergence of an anti-nationalist socialist argument.⁸ According to this view, Irish republicanism is the source of division in the Northern working class (not Loyalism or the British presence). Furthermore, mainstream republicanism is portrayed as a profoundly reactionary Catholic movement. Many of the cherished myths of Irish nationalism have also been questioned. Against this barrage of criticisms, other socialist writers have developed a conception of a socialist-feminist Sinn Féin, which should be a model for the British left. Whereas the anti-nationalist case is disproved by daily events and the progress of history itself, the second view can entail 'painting nationalism red' as Lenin once warned against. Irish republicanism, in the form of the 'Provisional' movement today, is a revolutionary nationalist movement with all the contradictions that entails. It bears within it distinct social projects – that of the small farmers in the border areas and the unemployed of the Northern cities alike – unified only by their nationalist ideology. It is revolutionary because it consistently practices what it preaches – unlike Fianna Fáil which still carries the embarrassing title of The Republican Party. It is a natural product of the Irish situation – influenced to be sure by the international socialist movement – and one only understandable in that context.

The Southern angle

The Republic of Ireland is probably the most neglected element in the whole political equation discussed above. Why did an ostensibly sovereign nation sign an accord which flagrantly contradicts its constitution (i.e. Articles 3 and 4 laying claim to the whole island)? The answer is complex, but can ultimately be related to the perceived threat of revolution from the Republican movement. Since its inception the state has faced a republican threat, sometimes muted, at other times quite active. It has dealt with it through co-optation and internment, but it has never faded away. Particular events have had a great impact: internment, Bloody Sunday, the hunger strike. A more lasting threat has not as yet materialised, due in part to Sinn Féin's reluctance to open a 'second front'. The breakaway Workers' Party has made some electoral advances, but their involvement in the North is now quite marginal. At the 1985 Ard Fheis (annual conference) Sinn Féin decided to maintain abstentionism as a principle (rather than a tactic) but the pressure of events will surely drive the party into a more active role in Southern politics. A more diffuse, yet nonetheless real, threat is posed by the IRA itself, which has a high level of support in the South which is difficult to quantify but is no less real. No bourgeois state can afford to have another 'body of armed men' hanging around in the wings waiting to seize power when the moment is ripe.

The political instability of the Republic has been manifest since partition in the 1920s and the inconclusive civil war between Republicans and Free Staters (i.e. those who accepted partition). To speak of a 'neo-colonial' situation may now be outdated, but the political legacy of partition is no less real. Take political terminology for example. The Manchester *Guardian* announced 'New Irish party aims

to capture middle ground' (23 December 1985), when the Progressive Democrats were born out of the struggles within Fianna Fáil. In a deliberate analogy with SDP discourse, Desmond O'Malley stated that the new party would 'break the traditional pattern of Irish politics and give voters a real alternative'. Yet what is the 'centre' in Irish politics? No one would want to place Fianna Fáil on the 'left' but that is what O'Malley implies, though his disagreements stem mainly from Charles Haughey's strong stand (since softened) on the Anglo-Irish agreement. By contrast, anti-nationalist socialists Bew and Patterson in their history of Fianna Fáil constantly refer to people or factions as 'progressive' insofar as they did *not* take a republican line on the North.⁹ Whatever interpretation one cares to adopt it is clear that 'left' and 'right' do not mean the same in Ireland as in Britain. For the present the political instability in the South tends to make the Anglo-Irish agreement a shaky one, and certainly makes very difficult a concerted drive against the Republican movement, through a banning of Sinn Féin and internment of activists for example.

Matt Merrigan, President of the Irish Congress of Trade Unions, has argued recently that 'the British TUC and the Labour Party, should look at the total trade union and working-class view in Ireland when taking policy decisions in relation to Northern Ireland. They should forget the "white man's burden" concept.'¹⁰ Merrigan states that the vast majority of Irish trade unionists oppose British rule in Ireland and this should be the main criterion in the British debate, not the opinion of the unrepresentative trade union leaders of the North. He poses the discussion in terms of the historical divorce between the labour and nationalist struggles in Ireland since partition. Somewhat fancifully Merrigan concludes that

- 12 'It could very well happen that social insurrection in the Republic converges with the armed struggle in the North unless initiatives are taken quickly to break the impasse with the British government'. There is indeed an acute social crisis in the South, but one that has so far not mobilised the organised working class in any significant way. In fact, the most striking element is the failure of the Irish trade union movement to 'grasp the nettle' of the northern conflict. The initiative Merrigan talks of to break the impasse has in fact been taken by the British government. The Irish Labour Party appears content with the agreement, with even less internal dissension than that caused by similar acceptance of the treaty by its British counterparts.

After the elections

The elections on 24 November 1985 to contest the seats vacated by the 15 Ulster Unionist MPs at Westminster provided few surprises. Only the election of the SDLP's 'greenish' deputy leader, Seamus Mallon, for Newry-Armagh provided a ripple of excitement. Otherwise, 14 Official (OUP) and Democratic (DUP) Unionists were duly re-elected, having in some cases to provide their own token opposition in the form of fictitious Peter Barry's (the Republic Foreign Minister). The grand total of unionist votes cast was 418,230 (70.6%), which fell short of their predicted half a million votes against the Anglo-Irish agreement. Nevertheless this vote confirmed that the majority of the Protestant people opposed the agreement. In the wake of the elections there were serious disagreements in the unionist camp on whether to take up their Westminster seats and, in general, how to pursue their campaign. The hardest line was taken by Peter Robinson and Harold McCusker, deputy leaders of the DUP and

OUP respectively, who may have been challenging their leaders Ian Paisley and James Molyneux. A sign of unionist confusion was a call a week after the elections by McCusker for a new London-Dublin-Belfast agreement to replace the existing one, which was promptly taken up by the SDLP and the Dublin government. In the meantime the unionist politicians will attempt to use the NI Assembly to 'scrutinise' the work of the Anglo-Irish agreement, although so far they have been kept at arm's length and the very future of the Assembly must be in doubt.

In the nationalist camp, as usual, there was an election within the election. Had the SDLP accepted Sinn Fein's proposal of a nationalist pact, their combined votes would have given them the seats of South Down, Mid Ulster and possibly Fermanagh/South Tyrone. In the event, the SDLP made serious inroads into the Sinn Fein vote, a fact seized upon immediately by British and Irish politicians and commentators. Sinn Fein's vote decreased by 12,231 from its 1983 general election total, while the SDLP boosted their vote by 11,371. In 1983 the ratio between the SDLP and Sinn Fein vote was 57/42% whereas now it stands at 64/36%. However, Sinn Fein President Gerry Adams commented that 'Rumours of the death of Sinn Fein are greatly exaggerated', which in the long run is probably true. These were exceptional elections, and the general level of interest in the nationalist camp was low. For the Republican movement the war simply continues on the military and political fronts. For the SDLP, on the other hand, the problems are only just beginning. Now they need to deliver on the promises to nationalists they say are contained in the Anglo-Irish agreement. They must decide whether to go into the Assembly and attempt to set up a new power-sharing devolved government with the

unionists. Whichever direction they take, they are likely to cause disappointment or opposition, and the prospect of genuine British concessions is still uncertain. The SDLP has been saved from the Republican electoral onslaught, but only for the time being.

Notes

1. Two widely differing books published in 1985 saw little prospect of a 'revolutionary' breakthrough in Anglo-Irish relations: P. Bew and H. Patterson, *The British State and the Ulster Crisis*. London (Verso) and R. Munck, *Ireland: Nation, State and Class Struggle*. Boulder, Colorado (Westview Press).
2. For such a 'rational' yet impractical discussion see K. Boyle and T. Hadden (1985), *Ireland: A Positive Proposal*. Harmondsworth (Penguin).
3. B. Rowthorn (1985), 'Unemployment: The Widening Sectarian Gap', *Fortnight* No 231, p 4.
4. *Newsletter*, 9 December 1985, p 8.
5. See A. Pollack (1985), 'Loyalist Paramilitaries Get Ready for Action', *Fortnight* NO 230, p 7.
6. *An Phoblacht/Republican News*, 12 December 1985, p 4.
7. *Socialist Republic*, January 1986, p 6.
8. For an overview of these debates see J. Martin, 'The Conflict in Northern Ireland: Marxist Interpretations', *Capital and Class* No 18 (1982).
9. P. Bew and H. Patterson (1982), *Sean Lemass and the Making of Modern Ireland*. Dublin (Gill and Macmillan).
10. M. Collins (ed) (1985), *Ireland After Britain*. London (Pluto Press), p 82.

Paul Bew Northern Ireland (ii)

SINCE THE Chequers summit of 1984 it has been abundantly clear that Britain was prepared to offer the Irish Republic a consultative role in the affairs of Northern Ireland. It had seemed doubtful, however, if there was any real advantage for the Republic in an agreement which gave it responsibility without power. It was also doubtful if the Republic's government then besieged by a rampant and rather 'green' opposition leader, Charles Haughey, could afford to give recognition to the right of self-determination for Ulster's Protestant and Unionist community. The surprises in the Hillsborough accord, when it came in late 1985, relate to its attempted solution of these problems. The British government, while retaining sovereignty in Northern Ireland, committed itself not just to consulting with the Irish government but also to striving to reach agreement with Dublin. Then the Republic's recognition of Northern Ireland was deliberately ambiguous – it refers to acceptance of the 'current status' of Northern Ireland but this current status is nowhere defined: this is so that it does not conflict with the Republic's juridical claim to sovereignty as defined in its 1937 constitution. Hence, the document nowhere refers to Northern Ireland as an integral part of the United Kingdom; and claims by Northern Irish Secretary, Tom King, that it gave a new recognition to the rights of Unionists broke down when even pro-agreement legal experts (for example John Kelly and Clare Palley) pointed out that it did not. Finally, as a further sweetener, the Republic was

- 14 allowed to set up a small secretariat of civil servants in Northern Ireland.

When the full extent of Unionist hostility became apparent, the British government made a number of entirely unconvincing attempts to reassure them. Tom King in Cambridge and Brussels declared that it was the end of the road for Irish nationalism; partition was guaranteed 'in perpetuity'. Pathetically he had to retreat within 24 hours. Then Mrs Thatcher, herself, in an interview with the *Belfast Telegraph* argued that Unionists could 'knock out' the Anglo-Irish conference by agreeing to power-sharing. This again conflicts with the text of the agreement, which clearly states that even in the context of such a local settlement, the conference remains in being. The unavoidable impression given was that the political leadership of the United Kingdom had signed an agreement, the details and spirit of which they did not understand.

Nevertheless, in the short term, the agreement is firmly in place. On 23 January's mini general election the Unionist community voted solidly against the Hillsborough accord; the slight increase in the total Unionist poll (as against an already good performance in summer 1983) is all the more impressive when it is recalled that a tightening of the electoral law, *arctic* conditions and the absence this time in many places of serious opposition candidates all tended to depress the poll. The government took comfort in the failure of the Unionists to win over large sections of non-political Protestants who have traditionally abstained. In so far as it goes this is justified; but the abstention rate also hides dangers for the government. Almost everywhere the vote of the liberal non-sectarian Alliance party was down – and in two constituencies (East Belfast and East Antrim) where it was heavily dependent on Protestant votes it

fell dramatically. These voters, especially in East Belfast, do not seem to have swung to the Unionists but their abstention was in itself a decisive 'no' to the Alliance's support for the agreement. In other words, the argument in favour of the agreement appears to have been lost inside the Protestant community. But there was a compensation for the framers of the accord; the election saw a significant swing from Sinn Féin to SDLP. There is some evidence that Sinn Féin's electoral support was falling even before the agreement but the bulk of the swing was clearly attributable to Hillsborough.

Also, a new political movement in the Irish Republic, the Progressive Democrats led by Desmond O'Malley, appeared to threaten the electoral prospects of Haughey's more militantly nationalistic Fianna Fáil party. The fact that Haughey was likely to inherit the agreement in eighteen months from Garrett Fitzgerald – who has enjoyed an amazing and faintly absurd cult of the personality in the British media – had always been one of the likely flash points. In other words, while developments in Unionist Ireland – and this is confirmed in opinion polls – showed a hardening of opinion against the agreement, developments within nationalist Ireland have greatly enhanced its prospects of survival.

But that said, the majority of the people of Northern Ireland clearly reject the arrangements for their new governance – and this without the addition of Sinn Féin's continued opposition to Hillsborough. Whilst only a small minority of Unionists favour anything other than relatively polite constitutional protest, it is an inherently unstable situation. It is made more unstable by differences within Unionism; not simply over tactics but also objectives – the integrationist and devolutionist wings remain strong. One of the two recent polls

– that for the *Belfast Telegraph* – shows yet again a large Protestant and Catholic majority in favour of power-sharing. It has to be admitted, however, that the *Newsnight* poll showed only a small minority of Unionist voters keen to force this option on their leadership. Moreover, it will be a remarkable development if Sinn Féin is not able to make something of an electoral comeback. The various issues around which they mobilise – the desire for a united Ireland, hostility to the security force and judiciary, and relative Catholic disadvantage (the Catholic unemployment rate is 28% as against 13% Protestant) – remain as pertinent as ever. The January 1986 election was held at the best possible moment for the SDLP.

Amidst much euphoria about breaking with traditional notions of sovereignty, and entirely novel relations between nation states, the Anglo-Irish accord has been hailed internationally as a triumph of enlightenment. The approach it embodies

has been a fairly constant refrain of British initiatives; a desire to recognise the Irish dimension as a substitute for serious structural reforms in the economy and civil liberties field. One of the unwritten lines of the agreement is the line which says Britain will commit no further financial resources to Northern Ireland, though it would be nice, of course, if the Americans chose to do so. The people of Northern Ireland remain stubbornly unimpressed; both communities, the polls say, seem to expect an increase rather than a reduction of violence. The inter-governmental conference may in the end prove to be a minimalist form of diplomatic dialogue and thus not have quite the negative effects of polarisation which so many fear. Nevertheless, it is clear that as a means of governing Northern Ireland it offers implicitly less hope than a commitment by Britain to employ the institutions of direct rule to modernise, reform and democratise from above.

Behind the news:2

● The government's proposed reform of social security is generally perceived by the left as a means of cutting public expenditure, in order to allow the government to make its long-promised tax cuts. In this article, Angus Erskine shows that the reform of social security may reduce public expenditure, but is, however, designed essentially to further the development of a low wage economy, to extend privatisation, and to alter the relationship between the individual and the state through increasing the influence of the market.

Angus Erskine Social Security reforms

The Thatcher government has always threatened social security and the welfare state. It came to power with an ideological commitment averse to welfare spending and on a wave of scrounger hysteria. In 1979 many socialists believed that Mrs Thatcher would institute a major dismantling of the welfare provisions built up over the past forty years. The Tories would use the genuine failings of the system, experienced by many, as the excuse to begin a reduction in state welfare provision – the radical dismantling of the welfare state.

While the policies that have been pursued have undoubtedly meant that state services are much worse and that life for

those who depend upon them is much harder than it was, few changes have been a radical departure from past practice. Indeed, much that has happened has been a logical extension of the policies pursued by the Callaghan government. Service coverage has been reduced, but few have been abolished outright. What has been happening is that the way services are provided has been changing.

This article argues that what has been happening is a long-term restructuring of the welfare state. To understand the nature of this restructuring we must look at the specific changes being made. At the same time, restructuring cannot be equated simply with cutting. Many socialists have been deceived by the Tories' propaganda – that the central issue is public expenditure. The government claim to be aiming to increase growth, output and profitability through reducing public expenditure and increasing private investment. This has not been happening. Public expenditure in real terms has not decreased from the levels of 1979 and expenditure on the main areas of the welfare state (social security, health, personal social services, education and housing) has decreased only from 58.8% to 55% of public expenditure. By 1986/87 the Treasury expects public expenditure, as a proportion of GNP, to be down to the levels of 1978/79. Adjusting for inflation, expenditure on social security has risen by 34% since the government came to power. Likewise, expenditure by the Department of Employment has risen by 67%.

There are of course programmes which have been dramatically cut back, notably council house building. Spending on housing has been cut by 43% since 1978/79. Other services have not been able to deal with the increased pressure on them due to demographic changes or the dramatic increase in unemployment.

There have been very real cuts which make many people's lives materially much worse. But, how do these cuts relate to the overall strategy of the government? To put it simply, the central focus of government policy is to restructure relations between people whether these be at work, in the home or in the school. Shifting the pattern of relations from ones which have elements of collective responsibility and mutual aid, to ones based upon the family, the market and the individual. Through this destruction of collective or corporate forms of organisation, individualism is promoted, opening more relations to the disciplines of money and market forces. On this basis, profitability can be restored through the growth in opportunities for private capital to successfully exploit new conditions of production and consumption. Central to this is the creation of both a low wage, non-unionised labour force and domestic relations which are based upon dependency, strengthening the disciplines of the market on relations within the family.

Within this context, how do we understand and oppose the changes to the social security system announced in the White Paper – Reform of Social Security, Programme for Action (Cmnd 9691, 1985) and published in the Social Security Bill 1986? Do they represent a fundamental shift in income maintenance provision, and if so, what is the nature of the shift?

This article analyses some of the most significant implications of the White Paper and concludes that it is important to understand the process whereby these changes came about. This process illustrates a vulnerability in the Tories' project. This weakness can be exploited in opposing these reforms.

18 Pensions and finance capital

The proposed changes to the state earnings related pension scheme (SERPS) have received a great deal of attention. The government has been able to claim that the consultation before and after the Green Paper – Reform of Social Security (Cmnd 9517, 1985), were for real by backing down on the proposal to abolish SERPS. What they have managed under this smoke screen is to respond to private capital's objections more effectively than would otherwise have been the case. The Green Paper suggested the abolition of SERPS and compulsory private pension schemes for everyone in work. There was to be a minimum contribution of 4% of salary of which at least 2% was to be paid by the employer into a private scheme. The CBI and the National Association of Pension Funds opposed this proposal and argued that the government should only modify SERPS.

This the government has done. The White Paper proposes a new inferior SERPS scheme.

- Occupational schemes are to take over from the state responsibility for inflation proofing their pensions.

- SERPS is to be based on a lifetime's earnings, not on the best twenty years.

- SERPS pensions are to be calculated on 20% of earnings, not 25%.

- Widows and widowers over 65 are to inherit half their spouse's SERPS rights rather than 100%.

At the same time private pensions are to be made more attractive.

- Employers are going to be able to set up new occupational schemes and new industry-wide schemes in which they won't have to, as at present, promise a defined benefit on retirement.

- National insurance rebates for five years are to be available to employers setting up

a new scheme or individuals setting up their own personal pension plan.

- The full amount of the national insurance contribution rebate will be allowed for personal pensions and tax relief will be given on personal pension contributions.

- Legislation to enable banks, unit trusts and building societies to set up personal pension savings plans is to be introduced.

- All occupational schemes will allow for additional voluntary contributions.

What these changes mean is that private and occupational pension schemes will be more attractive to those who can take advantage of the tax reliefs associated with private plans. For those who remain in SERPS, there will be worse benefits and worse provision.

The government has listened to the pension industry. Pension companies are to receive the most profitable pensions and the state is to be left with a residual scheme for the rest. Of course, not only is this change a major privatisation, but it will also release into the financial markets income which would otherwise have been going to the Exchequer.

The implications of the changes in the pension scheme can be summarised:

- a transfer of income from the state to private finance capital;

- the encouragement of personal pensions which will be of greater value to the rich and encourage labour mobility;

- restricted provision through SERPS which hits women particularly badly, through calculation on lifetime earnings and restrictions on the inheritance of spouses' SERPS rights.

So while the government has backed off the proposal to abolish SERPS it has done this because of opposition from its own supporters. The new proposals are more advantageous to finance capital than the outright abolition of SERPS. And, importantly, this 'concession' has created

the political conditions for the government to go ahead with the rest of the Green Paper with few modifications and no other concessions.

Domestic relations

Perhaps the most significant effect of the White Paper is likely to be felt by young adults. Young adults are to be forced into greater dependence on their parents or into low-paid jobs. Coming on top of the extension of YTS to two years, it seems that the aim will be to remove those aged between 16 and 18 from the labour market and institute a programme of work disciplining for all young adults, lowering young people's expectations when they eventually enter the labour market.

The White Paper is not explicit, but the evidence is there. Firstly, anyone under the age of 18 is no longer to be entitled to the replacement for supplementary benefit – income support. Secondly, those between the ages of 18 and 25 are to receive a lower rate than those over 25. The justification is in terms of 'family' relations. You aren't an adult until you have a home and children.

'By that age (25+) most people have become settled, whereas most younger people are generally not yet established permanently in their own home . . . ' (3.9)

The family unit is also reinforced. Those who are couples under 25 will receive the same as couples over 25.

'It was argued that claimants under 25 who are couples are already likely to have established an independent life style, and that those with children are likely to have as many responsibilities as older claimants . . . The Government recognise the force of these arguments.' (3.10 & 3.11)

However, the rate for couples is to be the same as that for two single people under 25. Therefore, it is only when claimants are over 25 that the DHSS will need to investigate whether they are living together 'as husband and wife'. No doubt, many young adults will be persuaded to claim benefit as a couple when they are under 25 because it will not mean that they are financially worse off, only to discover when they are 25 that they are financially dependent upon each other.

The White Paper's rationalisation of this is important. Rather than using the language of 'need' to determine benefit rates, the issues are 'life-style' and 'responsibilities'. Throughout, this is the new language of social security.

The intentions of these changes are clear:

- to encourage young people to take low-paid jobs through restricting their benefit;
- to help young adults through the transition from dependence on their parents to dependence on a sexual partner. Only through such a relationship will they become adults before they are 25.

Among single young adults, nowhere is the enforced dependence on the family more apparent than in the case of students. Over the years the parental contribution to student grants has been increased, forcing more and more students into dependence upon, and subject to the authority of, their parents, bringing with it a concomitant feeling of personal obligation – a very effective form of work discipline operating through the family. The White Paper confirms the government's commitment to 'removing students from dependence on social security benefits' (3.34).

Low pay

The reforms of social security cannot be understood on their own, as amendments

20 to a set of technical regulations. The main thrust of these changes is a part of an overall strategy. Central to this strategy has been the government's attitude towards the trade unions.

The offensive against the unions which this government has engaged in is, itself, part of a general offensive against organisations and activities containing elements of collectivism or corporatism. Within this offensive, low pay plays an important part in the destruction of union power. The more exploitative relations at work become, the more individualised and competitive workers may be forced to become.

Low pay is to be used in future as the yardstick against which to judge benefit rates. The government are intent on re-introducing the concept of 'less eligibility' as a central principle of British social policy. While a constant feature of social security has been that those in receipt of benefit have been in an unenviable situation compared to those in work, the White Paper removes any pretence that benefits should be based upon claimants' needs. Now, just as with the 1834 Poor Law Amendment Act, claimants out of work are to be in a worse position than the lowest paid in work. This is the new base line. As the White Paper says:

It [family credit] will aim to ensure that families are better off in work than out of work.' (1.24)

The new income support is to be set at a level ensuring that those who are low-paid in work and in receipt of the new family credit, are better off than the unemployed. The new system of means tested benefits has been designed around the present restructuring of relations at work. In addition, the family credit is to be paid through the wage packet. This will have three effects:

- It will transfer income in low-paid

households from women to men;

- Those who are low-paid with families will appear to be receiving a higher wage than those without families;

- The employer will calculate the family credit as an offset against the tax and national insurance liability of the employee. Therefore net pay among the low-paid will appear to rise as a result of the family credit system, and this will, the government hopes, influence wage negotiations. It has been clear from the beginning that the government would like wage negotiations to calculate state benefits as part of net income.

Discretion instead of entitlement

One of the most controversial changes is the removal of single payments from the supplementary benefit system and the introduction in the new income support scheme of a discretionary and cash limited social fund. This fund will provide either grants or loans to claimants on the basis of a social fund officer's assessment of the legitimacy of the claim and ultimately determined by the money that there is in the fund.

Some commentators have pointed to this significant shift away from a claimant having legally enshrined rights to discretion within the system. A discretion which cannot be legally challenged. While this is an aspect of the change, there are other important consequences.

These social fund proposals have serious implications for worker/claimant relations and worker/management relations. In this sense the shift from legal rights to discretion in the adjudication procedure should be understood as being an important part of the changing conditions of work for DHSS staff and a fundamental change in the relationship between claimants and workers. The DHSS has always tried to promote the ethos amongst

its staff that they are guardians of public money. This has in the past meant that claims have been assessed by officers according to a personal preference for the 'deserving' over the 'undeserving' claimant. A preference sustained and shaped by the operations of the DHSS. What the social fund will do, being discretionary, is to translate what was an ideological commitment to protecting the public purse into a practical and material necessity for officers. Social fund officers' decisions will be reviewed as an overall management function.

'This will link the task of reviewing individual cases with the general management responsibility for monitoring the operation of the fund.'
(4.51)

They must decide how and to whom they distribute scarce resources. Previously, officers might feel that they should play an active part in rationing resources. In future, they will have to make judgments about who deserves scarce resources and who doesn't, and if they get it wrong, it will be the management, not the claimant (through an appeal), who will want to know why. This change will inevitably increase any hostility and suspicion which exist at present between claimants and claimants' organisations and DHSS workers. The use of 'cash limits' combined with discretion, individualises the rationing of resources to the level of each claim, for officer and claimant alike.

The centralisation of power

A significant aspect of the Social Security Bill is the way it grants to the Secretary of State greater powers than at present. The Secretary of State will be in a position to make substantial changes to the system without parliament's approval. This centralisation of power extends to local

authorities' administration of housing benefit and has a practical expression in the way in which benefit costs are to be met in future. At the present time, local authorities administering housing benefit receive back all the benefit that they pay from central government. In future, they are only going to receive a proportion of expenditure on benefit. This will mean that local authorities will be forced to make sure that the amount they spend on benefit is as small as possible. As the White Paper says:

'... the subsidy arrangements must provide a greater incentive than now to prudent administration... The legislation will therefore enable the Secretary of State to determine the level of direct benefit subsidy in an annual order.'
(3.61)

This shift in power highlights the priority of restructuring the relations sustained and promoted by the social security system over any reductions in public expenditure resulting from the implementation of these reforms. The government, conscious of the need for electoral legitimacy, is providing the conditions for the reduction of coverage of income maintenance benefits. But it is unlikely that the most fundamental reductions in coverage will take place all at once or until after the next election. The changes taking place at present are not sudden and radical, rather they are piecemeal and indirect. The coverage of housing benefit is likely to be the first big cut, but, being paid by local authorities, many claimants will experience it as a cut imposed by the council, not central government.

The process of review

The leaks of the Family Policy Group before the last election (*Guardian*, 17-18

22 February 1983) seemed to threaten a major restructuring of the welfare state. The government obviously felt that these proposals were premature and a potential electoral liability. For this reason, the Tory Party went into the last election proclaiming their commitment to the welfare state.

The process by which they have arrived at the current Social Security Bill reflects this sensitivity. They have found it very important to guard against the charge that they have no electoral mandate to make radical changes to social security. For this reason, to legitimate their proposals, the government set up review teams to examine areas of social security.

It might seem that the government almost stumbled upon the idea of reviewing social security as a whole. An Inquiry into Provision for Retirement was set up in November 1983. The following February, after calls for a review of the hopelessly chaotic new housing benefit scheme, the government announced a Review of Housing Benefit. On 2 April 1984, Mr Fowler announced to the Commons that he was establishing two further Reviews, one into Supplementary Benefit and the other into provision for Children and Young People. He ended his statement by claiming:

'Taken together, the various reviews and studies I have set in hand constitute the most substantial examination of the social security system since the Beveridge Report 40 years ago.' (*Hansard*, 2 April 1985, Col. 660)

The government were instantly criticised for the piecemeal way in which these reviews were being conducted, in the light of their claim that the reviews were the most substantial since Beveridge. Subsequently some coherence was imposed on the Green Paper.

The four reviews had different com-

positions. The Housing Benefit Review was the only one with an 'independent' chair, Jeremy Rowe, the Deputy Chairman of the Abbey National Building Society. The Inquiry into Pensions was made up of six ministers, three people from the private pensions industry (Stewart Lyon, from Legal and General, Marshall Field from Phoenix Assurance and Marx Weinberg from Hambro Life). This set of private interests was joined by Professor Peacock of the private University of Buckingham and the Government Actuary, Edward Johnston. It did not require insight to surmise that this review team were less concerned with provision for retirement than with how to transfer pensions from the state sector to the private pension companies. The only debate seems to have been if when the companies got the goodies – would they also have to take the loss makers as well? It was one of the pension companies' representatives, Stewart Lyon, who was to spill the beans by insisting that the pension companies' representatives on the Review of Pensions had not advocated the abolition of SERPS (*Guardian*, 13 June 1985).

The remaining two reviews were chaired by ministers and consisted, as did the Housing Benefit Review team, of a total of three members. None could be expected to be sympathetic to the needs of claimants. Plessey's and Nabisco's were among the private companies with which the members were involved. At the end of the day, only the Housing Benefit Review team's report was published as a token of its 'independence'.

The White Paper goes to considerable lengths to make it seem that attention has been given to consultation, to legitimate what had been denied at the general election.

'The process of consultation began in the

Autumn of 1983 . . . Ministers, helped both by an independent committee and by outside advisers . . . there were nineteen public sessions . . . over 40,000 consultation documents were issued and nearly 4,500 pieces of written evidence received . . . there have been a further 7,000 written responses [to the Green Paper] . . . ' (1.3)

What they do not point out is that only very selected evidence was listened to. There have been some very useful analyses¹ of the responses to the Green Paper, showing that almost the only support came from organisations such as the Institute of Directors, the Monday Club and other right-wing pressure groups.

What is clear, though, is that the government is sensitive to the accusation that they are dismantling the social security system without any electoral legitimacy. For this reason we have had a 'consultation' exercise. At the same time Mr Fowler has used frequent selected quotations from Beveridge, to imply that if Mr Fowler can't consult Beveridge, at least it can be shown that the great man would have approved.

The socialist response

When the reviews were announced many felt they were a prelude to cuts. We only had to look at the make-up of the review teams and the government's desire to find the money for tax cuts to see what was coming. But this is too simple. What the government is proposing is to change the legislative framework within which social security operates so that cuts can be introduced over a period of months and years. At the same time the extent of the reductions in the overall social security budget will be determined by the political costs of any changes, whereas the structure of the new system will allow for new regulations

which restructure relations at work and in the home. Without a doubt there will be cuts made in the social security budget. But it can be argued that even if there was not one penny, at the moment allocated to social security, removed from the overall budget, the government would achieve its aim, providing there is a reduction in levels of benefit for those out of work relative to those in work.

As I argued earlier, the government's aim is a long-term restructuring of production, both at the workplace and at home. The White Paper's proposals will have two particular effects. Firstly, they will play an active role in encouraging employers to pay lower wages and workers to accept them. Secondly, they will extend the financial dependence of women on men and young adults on their parents. Mr Fowler has emphasised that his scheme represents a new partnership between the state and the individual. It does represent a new relationship between the state and the individual. It is part of the continuing project of monetarism to reconstruct relations based upon the disciplines of the market, experienced at the level of the family and the individual – a project which promotes individualism and self-interest. Privatisation, from council houses to the water boards, the offensive against the trade unions, the restriction of the wages councils and the promotion of an ideology of choice and responsibility – all are part of this project. Opposing the Fowler reforms is to oppose an important part of that wider strategy.

The government will introduce the changes gradually and in a manner that conceals the massive cuts envisaged. Because of this, opposition to Fowler should start from the experience of social security as it is now. A defensive campaign against future cuts implies an acceptance of the present system. A socialist project for social

- 24 security cannot be advocated on the basis of the defence of social security as it is today.

What the present proposals do is create the space for an offensive which asserts socialist values – sharing and collective responsibility – over the individualism being peddled at present. Social security affects us all at some time in our lives. We need it when we are sick, when we are old, when we have children and when we are unemployed. For this reason, the Tories are weak. If the campaign against Fowler can transcend the immediate defence of an indefensible system, we can look forward, not to the defeat of the Bill in

parliament (it won't be defeated), nor to amelioration of its worst effects (they might be), but to the beginning of the shift in the agenda away from the values of Thatcherism towards a popular demand for socialist answers based upon socialist values.

Notes

1. Julia Lourie, 'Social Security Reform – Responses to the Green Paper', House of Commons Library Research Division, Reference Sheet no. 85/6, November 1985 and Angela Hadjipateras, 'Against the Green Paper – A Survey of Responses', Review no. 8, London Advice Services Alliance, November 1985.

RESEARCH IN POLITICAL ECONOMY

"These volumes [the first three as reviewed] are plainly a valuable addition to Marxist scholarship for they tend to contain papers that focus on questions of a most fundamental nature. The first three volumes amply demonstrate the richness of Marxism as a scientific endeavor."

— William Darity, Jr
Review of Radical Political Economy

"Collections like [Research in Political Economy provide] a forum for the kind of serious radical scholarship so grotesquely absent from most mainstream periodicals in American social science today."

— Richard B. DuBoff
Monthly Review

Theory of Economy and State

Economics and Politics of the Transnational Phase of Capitalism, by Raul Trajtenberg and Raul Vigorito (in Vol. 6); The Politics of Marxist Crisis Theory, by Val Burris (in Vol. 7); The External Constraint in the Economic Crisis of Eastern European Countries, by Wladimir Andreff (in Vol. 8 in press); plus many more.

United States

Party Realignment and American Industrial Structure, by Thomas Ferguson (in Vol. 6); The Causes of U.S. Trade Union Decline and Their Future Prospects, by Michael Goldfield (in Vol. 7); plus many more.

Submit Articles to:

Paul Zarembka, Editor
Research in Political Economy
Department of Economics
O'Brien Hall, North Campus
State University of New York
Buffalo, NY 14260

USSR

The Problem of the Soviet Union, by Simon Mohun (in Vol. 3); What Do Soviet Managers Do?, by Barbara Dietz (in Vol. 5); Workers and Bosses in the USSR, by Bohdan Krawchenko (in Vol. 7).

Latin America

The Transnationalization of Agriculture in Latin America, by Raul Vigorito (in Vol. 5); Accumulation and Gender Relations in the Flower Industry in Colombia, by Sonia Cuales (in Vol. 5); Capital and Urban Poor in Quito, by Marcia Lesser (in Vol. 8 in press); plus many more.

The annual volumes began in 1977, also covering many other topics \$23.75 individuals (add \$2 postage, handling, and insurance, hardback only), \$47.50 libraries. Order from
JAI PRESS, INC.
36 Sherwood Place, P.O. Box 1678
Greenwich, Connecticut 06836-1678

A number of writers from the Left, particularly associated with *Marxism Today*, have suggested that there has been a shift to more right-wing policies and authoritarian and populist forms of government in advanced capitalist countries and that these can be seen as a response to the current world economic crisis. Fiona Atkins suggests that explanations of the shift towards more authoritarian government must take account of recent changes in economic structures and class relations. In particular she argues that it is necessary to recognise the implications of the increasing internationalisation of capital.

By referring to third world examples, the author identifies a number of forms of authoritarian regime. The broader frame of reference indicates that a degree of eurocentrism has limited the understanding of authoritarianism in the current British debate.

Fiona Atkins

Thatcherism, populist authoritarianism and the search for a new left political strategy

Recent discussions of the British state have suggested that the Thatcher regime is authoritarian-populist (Hall, 1983a; Jacques, 1979; Gamble, 1983). This authoritarianism has then been interpreted in the context of European experience and history, as a temporary and exceptional response to an acute economic crisis (Hall, 1983a). In response to criticism it has been claimed that authoritarian populism is not a total explanation of Thatcherism (Hall, 1985). Nevertheless, it has been used as a connotative description of Thatcherism and as an explanation of the process by which the Right has reconstructed the political terrain and created a new popular consent.

Criticisms of the 'eurocommunist' position, which derive from such an understanding of the current Thatcher government, have either rested on their rejection of class politics as the basis of analysis (Fine et al, 1984) or on their excessive emphasis on ideological and cultural factors in the exegesis of Thatcherism (Jessop, 1984). As Hall (1985) comments, these attacks have not

furthered the task of deconstructing and hence defeating the phenomena of Thatcherism. This paper seeks to further the analysis of Thatcherism by drawing attention to an omission from the Authoritarian Populist discourse, an omission which becomes apparent when a less eurocentric perspective is used to inform the debate. The 'eurocommunist' debate places great emphasis on the restructuring of the working class and ignores other consequences of the restructuring of capital. In particular, the significant internationalisation of British capital and the British economy have introduced a new fracturing of the hegemonic political bloc. As a consequence of this fracturing, the state has become even more the locus of struggles, not only between classes, but between internal and external capitals and so created the contradiction of a state which can no longer justifiably claim to represent a nation. The contradiction is common in Latin America and is at the nucleus of much writing within the dependency tradition. Some of the insights deriving from this tradition and experience can usefully be introduced to further our understanding of the British case.

Latin American experience raises doubts about the standard coupling of capitalism and parliamentary democracy and thus about the view that authoritarian or populist state forms are exceptional. More importantly, it exposes the weakness of the authoritarian populist discourse, which rests on a Gramscian view of the state and politics. Politics is seen to be concerned with the construction and maintenance of an hegemonic power bloc but the debate fails to explain why ruptures occur within blocs.

Latin American examples suggest that shifts to authoritarianism may not be a response to economic crisis but a response to changing economic and social structures arising from the dynamics of capital accumulation. In particular, the emergence of authoritarianism and populism may usefully be interpreted in the context of a dislocation between national superstructural phenomena and international productive capital and the perceived threat to the system posed by an increasingly organised but excluded working class whose demands cannot be neutralised (O'Donnell, 1973, 1978).

Left perspectives on Thatcherism

Two interlinked strands can be identified in discussions of the political decline of the parliamentary left. The first is concerned with the nature of Thatcherism and the way in which it has created and exploited a political space. The second attempts to explain Labour's 'Lost Millions' by referring to the changing structure of the working class. Current thinking on the left on these issues has congealed around the ideas propagated by writers

such as Gamble, Hall, Hobsbawm and Jacques. Their analyses have created a position which is now associated particularly with the two popular journals of the left, *Marxism Today* and *New Socialist*. The presentations are often polemical in nature so exact positions and the underlying theory are frequently obscured. Before suggesting an alternative, or at least extended perspective, the skeleton of their position and some of the implicit theory on which it is based will be explained.

Eurocommunist authors argue that Thatcherism represents an authoritarian populist form of state with an identifiable 'radical conservative' ideology (Hall, 1983; Jacques, 1979; Gamble, 1984). The ideology has two facets, an emphasis on traditional values (family, nation, honour, obedience, discipline), and a technocratic view of economic adjustment where policies are presented as technically sound and neutral. Policies are framed by reference to economic laws which are said to yield scientific answers to problems such as inflation. The novelty of Thatcherism lies in its apparent ability to solve the basic contradiction between a belief in laissez faire/liberal economic policies and a political practice of reactionary authoritarian populism.

Authoritarian populism

Hall (1980, 1985) adopts the 'deliberately contradictory' term *authoritarian populism* to highlight the contradictory features of a real conjuncture, one which involves a move to an authoritarian form of democratic class politics, rooted in a mobilisation of a limited set of popular demands. While Hall emphasises that his use of the authoritarian populist concept should be understood with reference to the current historical conjuncture, he claims theoretical antecedents in the work of Poulantzas (1978), who is credited with contributing the fundamental concept of an authoritarian statism, and of Laclau (1977) who is credited with elaborating the concept of populism.¹

Despite explicit acknowledgement of Laclau, the operational content of the concept of populism is closer to Poulantzas's definition (1974). Populism involves the creation of an ideology which can be used to manipulate the populace and to facilitate the introduction of policies which may be against their broad class interest. Thatcher, therefore, becomes a charismatic populist leader speaking and appealing directly to the people. She addresses individuals, rejecting the excessive bureaucracy of unions and state, and the financial burdens they impose, and hence by association she exposes the poverty of state socialism.

The above definition corresponds to a rather descriptive, intuitive perception of populism which conflates a form of political movement and a type of ideology by simply designating both

as populist. The result is a tendency to focus on the content of a populist ideology without explaining how this interacts with the political movement. Laclau, however, links the emergence of populism to periods of general crisis which may reflect a fracturing in the power bloc or an inability to neutralise dominated sectors. In such situations, a populism which originated from the dominant class will of necessity be repressive because it treads a dangerous path in possibly losing control over the mobilised populace. So, in a reading from Laclau, it seems that authoritarianism and populism are not an unlikely combination.

Links to Poulantzas's concept of *authoritarian statism* rest partly on observation of the decline of the institutions of political liberty and the curtailment of civil liberties, and partly on the idea that these reflect a new 'movement' involving a fundamental political crisis associated with traditional channels through which power is transmitted and legitimised. Hall (1980) suggests that contemporary British politics are structured by a rhetoric of anti-statism, combined paradoxically with an increased centralisation of power. Together they ensure the governed play little part in decision-making. Thatcher herself extols the virtues of zealous obedience and scorn for inferiors which is typical of an authoritarian character. Her views have become associated with the government itself and have been part of the ideology articulating popular discontents. Hall's use of the authoritarian populist label neatly carries these connotations regarding the ideology practice and leadership style of Thatcherism.

Hall (1983) and Jacques (1979) emphasise that authoritarian populism found and invaded a political space which arose because of a specific economic and political crisis within the British social democratic system. This social democratic system is seen as typical of European capitalist countries constituted on a consensus politics, and the economic compromises inherent in Keynesianism. By the late seventies, however, both consensus politics and Keynesianism were increasingly at odds with the problems of the British economy.

Britain's contemporary economic crisis is easily, though perhaps deceptively, understood in the context of the long-run relative decline of Britain and the failure of successive governments to halt it (Gamble, 1981, 1983). The political crisis is then a result not only of the failure and the consequent loss of confidence in all governments, but also of the practice of Labour in power. Labour governments have frequently emphasised the neutrality of the state and often used their organic links to the working class to impose discipline. Both factors resulted in apathy and depoliticisation.

Labour, on this view, failed to maintain or mobilise its

popular connections, and Thatcherism moved easily into abandoned territory. In addition, Thatcher extended this space by playing on popular discontent against the paternalist state. Creeping socialism and irresponsible state actions were blamed for national decline. Labour's statist image was then exploited so that Labour was revealed as part of a static and self-interested power bloc. Thatcherism, therefore, is able to present itself as supporting a 'new' alternative of private initiative, individual freedom and tough leadership (Hodgson, 1984).

If authoritarian populism rose like a phoenix from the ashes of social democracy, explanations are required on how these ashes were created. The issue of the decline of social democracy has been approached from two principal directions.

The decline of consensus politics

The first is that long-run economic decline and a failure to reverse it have undermined the possibility of maintaining a social democratic state in Britain (Gamble, 1981, 1983). It is further argued that post-war Keynesianism was a necessary constituent of the social compromise between capital and labour (Grah, 1983). While the Keynesian welfare state was possible and apparently successful during periods of expansion and relative prosperity, the costs become only too apparent in decline.

Responses to this failure of social democracy are presented along a spectrum. The Right is said to have recognised the failure and cultivated a populist revolt against a return to statist corporatism. The centre (SDP) is said to seek a restricted social democracy based on a renewal of Keynesian instruments and compromises but with a strong state which would impose legal constraints on unions and financial sanctions on employers. Thus they seek to be the 'centre' to which all should gravitate. The parliamentary left (Labour Party) are said to have remained within a more traditional Keynesian corporatism and to have sought means to reestablish a belief in the mixed economy and traditional compromises. The failure to readjust perspectives is seen to have contributed to Labour's loss of credibility and the polarisation of political positions.

The second approach is rooted in the debate over the *lost millions*. The Labour Party is said to be trapped by its economic perspective on voting behaviour, so until recently it has failed to redesign the instruments and policies necessary for the creation of the middle ground of consensus politics. It has also failed to reconstruct a common political discourse in which the old alliance of the professional and working class could be rebuilt. Essentially the Labour Party has failed to recognise, let alone

solve, the fundamental contradiction between representing the interests of the working class and managing capitalism. The argument leads to the explicit belief that the Labour Party must become more representative of a wider range of social groups and hence less dependent on its dwindling 'core constituencies'. Labour must create its own popular consensus.

Nationalism

Writings on Thatcherism note many references to the idea of the nation in the new right rhetoric, and suggest that Thatcherite nationalism is primarily a useful tool for creating support for reactionary ideologies (see Gray (1982) and Hobsbawm (1983)). If we take note of the role of nationalist ideologies in other contexts, such as Argentina or Brazil, a more fundamental role for nationalism can be suggested. The view of nationalism as an ideological instrument for mobilising support can be extended. In the context of a highly internationalised economic system, two questions need to be confronted: what is the function and future of the nation state and what is the role of nationalism in preserving the nation state as a political entity.

Nationalism, as such, seeks to establish a supra-class identity by appealing to shared values and culture. The development of national identity is then used to fuse the concepts of state and nation so that the state is presented as transcending class struggle through acting in the interest of the national body. Hence nationalism is a political movement and an ideological phenomenon. It mobilises populations around strategies claiming to promote the welfare of the national community. Yet part of the object of such action may be to create the initial coherence which is necessary for a general belief in the existence of a national community (Ehrenreich, 1984; Nimni, 1985; Anderson, 1983).

Nationalism has been particularly strong in many third world societies, where it has been developed as part of an opposition to external exploitation and as an attempt by a domestic elite to mobilise support for a national capitalism. The explicit anti-imperial stance of third world nationalism has meant that it has been developed as a mode of resistance to the disruptions arising from capital penetration. The bearers of disruption are seen not as capitalists but as foreigners and resistance is therefore national rather than anti-capitalist.

More recently, third world nationalism has been utilised by bureaucratic or military elites to help cement a political alliance of national capital and petty bourgeois groups (Brazil, 1964), or to divert attention from internal problems (Argentina, 1982). In this variant of nationalist ideology, the stress is on the absence of

internal conflicts and the need for order, unity and self-sacrifice; it becomes an instrument in the defence of the status quo and is frequently used as part of what Dardoso and Faletto (1979) call a *developmental populist* politics.

Nationalism in the UK has differed from that in the third world. It has occasionally been mobilised against an external aggressor but rarely against external capital. Thus it has been an ideology consciously used by the elite for the mobilisation of the working class in war against an external classless enemy. Such historical antecedents have strengthened the association of a unified population facing external peril with conservative nationalism (Gray, 1982). Periods of national fervour have helped to promote an identification of the working class with the nation and also with the state, which was seen as the protector of their interests and a neutral arbiter. Nationalistic sentiments within specific regions of Britain have arisen in a more general context as a response to the uneven development of capitalism and are clearly a product of both external pressures and internal class forces (Nairn, 1981).

Clearly nationalism can and has been exploited by governments of all political persuasions. Creation of a strong nationalist sentiment involves popular mobilisation. In most capitalist contexts, economic concessions demanded by the working class may be perceived as a threat by some groups in a ruling coalition and thus may create the conditions for an authoritarian backlash to counter these threats. Such an interpretation may be placed on developments in Brazil, 1961–64 (O'Donnell, 1978); Chile after 1973 and Britain after 1979 represent more degenerative nationalisms. Here, ideologies of nationalism were created and used to help to construct a perception of unity which then rebounded to the benefit of international capital and not to any national group.

Nationalism and authoritarianism have been particularly useful instruments for third world states where economic control typically lies with international and externally oriented capital with a consequent disjuncture between the internationalised economy and the nation state. Nationalism has helped to create the appearance of mutual interest between capital and the working class (O'Donnell, 1978). In the context of the increasing external penetration of the British economy, nationalism may similarly be important in creating an appearance of a unified interest between fractions of capital, and between capitals and the national working class, so ensuring the hegemony of an internationalised elite.

Effectively, nationalism helps sustain the nation state as a political unit, and as a body able to direct economic policy and mediate between national and international capitals as well as

between them and the working class. This role for nationalism does not exist in the current left orthodoxy on Thatcherism. Instead the orthodoxy has focused on the kindling of nationalism in the context of the Falklands/Malvinas war, how this reinforced the image of Thatcher as a strong and decisive leader and how this in turn contributed to her subsequent electoral success.

It has been suggested that the internationalisation of production means that national Keynesianism and Social Democracy are no longer possible (Brett, 1983; Radice, 1984). The problem is said to arise from a growing disjuncture between the political and economic levels. Contemporary politics is based on a system of nation states while economic processes increasingly operate in an internationalised system which circumvents national controls. Keynesian management presumes the existence, or at least the appearance, of a 'national interest' which a neutral state can promote. The absence of a well-defined national interest is common in third world countries where there are long histories of foreign penetration and economic domination. External control may lead to a differentiation between the economic and political dominant groups and difficulties in creating a viable unifying national ideology, based on the suggestion that success for capital also benefits for the national working class.

From this perspective, it is possible to propose that Thatcher's authoritarian populism seeks to create the illusion of a national interest by whipping up nationalist sentiments. Recent attempts to ferment British nationalism are not merely designed to gain support for reactionary policies, but are inclined to achieve a rather more fundamental ideological shift which facilitates the political orientation of a national state in the context of an economy dominated by non-national capital.

Strategy implications

The two strands of debate, the decline of social democracy and Labour's lost millions, do have different emphases, but they clearly rest on similar interpretations of the British political milieu. A central and shared presumption is that social democracy is the normal form of the capitalist state. A consequence is that state forms such as authoritarian populism are branded as temporary and exceptional, arising as a result of a crisis and existing to perform particular historic tasks. This interpretation can easily lead the Left to be complacent. For instance, Hall can suggest that: 'Thatcherism may have filled its "historic mission"'. But neither of the major electoral machines now appear as credible occupants of power . . . However, the signs are well set for the recovery of more centrist ground.' (Hall, 1983: p 312).

The eurocommunist view of authoritarian populism is that

it is a response to a crisis. Social democracy can be restored, but only if the Left confronts issues relating to topics such as the state, unemployment, changing class structures, and creates a vision for the future. Labour has to win back the centre vote. If these votes were lost because of a failure to adjust to the changing needs and culture of its working-class constituency, then it is essential to build a coalition of anti-Thatcher forces (Hall, 1985; Rowthorn, 1983; Rustin, 1984).

A strategy of recapturing the centre rests on a belief that there is a linear voting spectrum; that the changing nature of the working class has resulted in a general shift to the right and that the optimal strategy for the Left is to follow the shift and jettison its more extreme strategies. Yet, this notion of finding policies which suit the changed composition of the working class appears to be as economistic as the automatism which Hobsbawm originally rejected.

The strategy implications of the eurocommunist position make it necessary to carefully evaluate their arguments. The focus of discussion has been the 'crisis of labourism' as a political strategy and the need to mobilise all classes within the national political context. While the call for a new politics may be valid, the limited attention given to economic structures – in particular, to the implications of the internationalisation of capital (in terms of either ownership or production) – may undermine their economic project. Once internationalisation is recognised, questions should be raised about the viability of a national economic strategy or the possibility of a national coalition strong enough to democratically achieve national reforms.² In this context it is unclear whether the proposed coalition government can have any success with its centrist policies.

The nub of the eurocommunist position is that populist authoritarianism arises in response to a general crisis, so that the Left must respond by developing its own brand of populism. However, the failure to analyse the structural economic shifts associated with the crisis and how they relate to the emergence of particular state forms, leads to a politicism which limits some of the insights which could otherwise be drawn from the use of the concept of populism.

Populism is an elusive and yet recurrent phenomenon. Populist experiences are generally recognised to have occurred in such diverse cases as Germany under Hitler, Argentina under Peron, Brazil under Vargas. The diversity and renewal of the experience suggests that it is not merely 'exceptional'. Following Laclau (1977), the common feature of these examples can be seen

Populism and authoritarianism in Latin America

not to lie in the social base of the movement nor in the class interests expressed but in the integration of popular ideologies into the dominant discourse. It is also possible to link the emergence of populism to the existence of a crisis within the political power bloc.

In Latin America, a number of forms of populism and authoritarianism have occurred and frequently can be linked to hegemonic crises associated with a decline of the old agrarian oligarchies and ensuing struggles between internationalised and national fractions of the power bloc. Without making any direct analogy between experiences with authoritarian or populist governments, there is some merit in considering common aspects and how such state forms may have been functional in resolving some of the overt contradictions. Latin American writers, like Di Tella (1970) and Germani (1965), suggest that populism emerges in the context of the asymmetries between 'traditional' and 'modern' ideologies arising from development. While this view suggests too close a link between state form and stage of development, the idea of a dislocation, between the interests of national and international capital and the ways in which certain state forms may emerge to neutralise the potential social dislocation between state and nation, could be fruitful.

In Latin America, where the economically dominant class is generally non-national, problems arise over the formation of an hegemonic coalition based solely on domestic elites and for the legitimacy of the state. Thus it becomes increasingly difficult to create the necessary ideological premises for a national interest and subsequent consensus policies. In a country such as Brazil, it is obviously difficult to argue that 'what is good for General Motors is good for Brazil'. Such a premise may be rejected not only by a radical working class but also by struggling national capital. In this context nationalism exists in a form which is distinct from and antagonistic to a large part of capital. Such situations of national disintegration and transnational integration (Sunkel, 1979) involve acute inter- and intra-class conflicts. A common outcome has been chronic political instability, which has been countered by the emergence of authoritarian regimes. These regimes have created a strong state which visibly promotes and protects a 'national interest' so recreating a national identity. Brazil is a good example of a strong state actively participating in infrastructural provision and in basic productive industries. The economic power derived from state intervention was used to moderate the behaviour of international capital and to encourage weaker national capital (Evans, 1979).

It is necessary to understand why modernising authoritarian regimes have been a part of Latin America's political life. Brazil,

Argentina, Peru and Mexico have all been cited as examples of forms of authoritarianism, the precise form being influenced by specific class structures, their historical development and the way they have influenced industrialisation and the formation of a developmentalist alliance (Cardoso and Faletto, 1979). The countries cited suggest that such regimes are not necessarily doomed to extinction by economic development, but may be a consequence of modernisation and dependent development (O'Donnell, 1973; Di Tella, 1965). This raises questions over our understanding of authoritarianism and the context in which it arises. In particular, the case of capitalism in Latin America illustrates that bourgeois democracy is not the natural fulcrum around which other government forms oscillate (Therborn, 1979). In Latin America the most concerted attempts at fostering capitalist development have been by authoritarian governments. It seems likely that changing economic structures, arising from the dynamic of world capitalism, as much as temporary economic crises are relevant to an explanation of shifts to authoritarian states in capitalist developed countries.

The study of third world states clearly illustrates the impossibility of reading off 'normal' state forms from particular economic structures. Lack of a one-to-one correspondence between political and economic spheres undermines the pervasive western ideology associating capitalism and political freedom. In practice, economic development has frequently occurred under non-democratic governments. Inevitably, there is some disagreement over the factors accounting for the emergence of such regimes. Writers, such as Wiarda (1973), emphasise the Iberian-catholic tradition. Others, like Alavi (1973), have put greater emphasis on the role of colonialism in moulding subsequent institutional structures of the state. Based on the requirements of imperial rule, these institutions were little suited to the resolution of class and social conflicts in the post-colonial era, yet predisposed the post-colonial state to bureaucratic authoritarianism and government by the military. Others recognise such features of colonialism as predisposing factors, but say they are insufficient to account for particular forms of authoritarianism and the concern of such authoritarian states with modernisation. This concern can only be understood within the historical context of late development and an experience of nationalist populism in the early stages of industrialisation (O'Donnell, 1973, 1978).

In Latin America, parliamentary democracy is the exception and a range of non-democratic forms of government have operated within the capitalist milieu. Given the concentration of economic power and fundamental weaknesses and divisions within the

working class this is not surprising. Authoritarian/dictatorial regimes have frequently occurred not as a response to revolutionary ferment but in opposition to other forms of the capitalist state. Hence these regimes appear to be a manifestation of the failure of the national bourgeoisie to form an hegemonic political bloc. The failure appears to reflect the economic location of the national bourgeoisies in the international system, with social heterogeneity occurring not only between classes but also within them (O'Donnell, 1978). The economically strongest elements of the bourgeoisie identify with external conditions and the state comes to act as a link between external controllers and the population. In particular, it frequently protects an economic space for weaker national capital against large internationalised groups.³

In the 1940s and 1950s there was an increase in nationalist sentiment in Latin America and a desire for autonomous development. The externally-oriented form of primary commodity-based dependent development collapsed and heralded a crisis of authority in oligarchic power structures; bureaucratic and professional groups and domestic bourgeoisies moved to the forefront of politics. In order to legitimate their political power over the economically dominant international group they required allies from other strata. Developmental populism sought to incorporate the working class politically, socially and economically and so to create a base on which multi-class coalitions could be constructed and a national capitalist project be pursued. In the conjuncture of anti-imperialist struggle, national bourgeoisies sought to be a part of the people. Latin American developmental populism has frequently drifted towards authoritarianism both because of its inherent contradictions and because of its tendency to relate to a strong and dictatorial leader. The result of the contradictions has been the emergence of bureaucratic populist and authoritarian populist regimes and in some cases a more direct authoritarianism of the bureaucracy has replaced populist platforms.

Bureaucratic populism involves one-party government (which may be by the military as an institution) with some attempt to mobilise mass support. Mobilisation is achieved by using socialist/populist rhetoric and developing policies involving redistribution of wealth and controls over capital. Populist rhetoric frequently utilises nationalist themes, so redistribution tends to be at the expense of foreign rather than national capital. The Peruvian military government under Velasco in 1968 and the Mexican one-party system are examples of such states. Both rest on an alliance of elements from the respective national bourgeoisies with sections of the military and middle class.

Authoritarian populism is often associated with a charismatic

leader, frequently operating within an ostensibly democratic system. Again nationalism may be used as a means of popular mobilisation, but personal charisma is important in establishing a direct link to the popular base. Authoritarian populism has been fairly common and associated with political strands which have ranged across a socialist to capitalist spectrum. A national capitalist form is exemplified by Argentina under Peron, Brazil under Vargas and Jamaica under Bustamante. During these periods, each country was actively promoting import substituting industrialisation and each had a strong and dominant leader who mobilised popular support for the project. Each case seems to conform to Laclau's perception of the conditions liable to create populist regimes – a crisis of the power bloc in which a new fraction seeks to establish hegemony. The experience of each country had a certain specificity, but in each case an authoritarian populist regime emerged from a crisis of the liberal export-oriented oligarchy, and the subsequent struggle for the emergence of national industrial capital through its attempts to survive against stronger international capital. The general trend was for national capital to recognise its economic inferiority, but by creating populist style governments, with programmes based on popular demands relating to democracy, industrialisation, nationalism and anti-imperialism, it was able to establish political hegemony. The instruments of the state were then used to control and direct the activity of foreign capital, whilst managing to confine confrontations within the limits imposed by the class project defining the regime, namely the development of national capitalism.⁴

An alternative authoritarian populism takes a national/democratic socialist form and may be exemplified by Guyana under Burnham or Jamaica under Michael Manley. These leaders portrayed their strategies as a 'third way', neither capitalist nor socialist'; policies were mixed, involving redistributive land reforms, commitment to and support for small private businesses, development of large state corporations and state control over foreign trade. External commentators have suggested the relevance of Kalecki's (1976) concept of *intermediate regime* (Jamieson, 1980; Fitzgerald, 1976). Using the example of Egypt, Kalecki developed the concept to refer to the situation in newly-independent third world states where the political ruling group were not economically dominant and governments were particularly unstable and transitory. He argued that support for such regimes lies with the petit bourgeoisie, and the 'middle class', consisting of peasants, shop-keepers, bureaucrats and professionals and that such governments tend to seek legitimacy through anti-imperialist, anti-feudal rhetoric and nationalist-distributive policies favouring the economic interests of their class base. In

practice, therefore, the seemingly radical external stance and redistributive internal policies are not anti-capital.

From the mid-sixties, the inward-oriented growth strategy of import substituting industrialisation (ISI) adopted by the majority of Latin American states was showing signs of exhaustion. In the context of a denationalised manufacturing base and a politicised population, the result was structural crisis. In many Latin American countries, populist governments tried to satisfy rising expectations, but a common result was hyperinflation. Since reimposition of economic and political order by a democratic consensus government was virtually impossible, military bureaucratic states often emerged and the subsequent repression reversed earlier attempts at popular incorporation. Frequently, dominant groups felt that populist experiments such as those implemented by Peron, Vargas or Velasco had created rising expectations among the working class and that these expectations could not be controlled by the existing populist government. Contradictions between capital and the populace could not be neutralised through the offices of a charismatic leader; rather, the contradictions had to be sharpened, and hegemonic power over the population re-established. This was most easily achieved by bureaucratic authoritarian regimes of the type that emerged in Argentina after Peron or Chile after Allende. These regimes attempted to reimpose authority after populist experiences.

Bureaucratic authoritarianism involves one-party government, frequently by the military as an institution, and the explicit use of state power to impose changes on the economic structure. It differs from European fascist authoritarianism since it has no mass base and there is an inherent fear of popular mobilisation. The party system, linking the state to civil society is generally disposed of, as in Brazil after 1964 or Chile after 1973. In both cases, all political parties were proscribed and political and trade union leaders were imprisoned, tortured and killed so removing potential organisers against the new rulers. The military did not seek to mobilise mass support to legitimise its rule, but relied on its control of the instruments of force.

What most third world states have in common is a recognition and consequent acceptance of the fact that the national Keynesian policies necessary for democratic consensus politics cannot succeed because of their location in the world economy. In many cases the attempt to foster an illusion of a neutral state has been abandoned. The abandonment of neutrality and the shift to policies generating overt class antagonism, has required new forms of legitimisation of the capitalist state. Legitimation has been achieved by force in Chile and Brazil, by forms of populist mobilisation by Bustamante in Jamaica and by a populist military

in Peru.

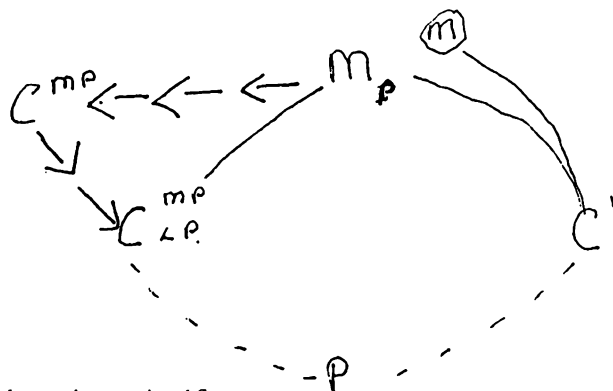
Alternative evidence against the 'crisis response' view of authoritarianism can be drawn from recent changes in the Brazilian state. With the advent of the post-1976 economic crisis in Brazil, the state retreated from its previous policy of financing expansionist policies with foreign debt. One consequence was the 'statisation debate' (Faucher, 1980). In this debate, concern was expressed over the extent and nature of state involvement in productive activity. The emergence of the debate suggests that, just as crises have led to a questioning of the concessions made by social democratic states and so undermined the process whereby that state form is legitimated, so in the bureaucratic authoritarian regime in Brazil, crisis has generated a challenge to the existing bureaucratic authoritarian form of regime. In particular, there have been demands for wider access to the process of economic decision-making. In essence, such a request implied a demand for increased political representation and reflected the local bourgeoisies' willingness to sacrifice the representative process to ensure the profitability of investment. But as crisis undermined profitability so disenchantment with the authoritarian process was expressed. In response to this discontent among the economically powerful groups, the Brazilian government did introduce elements of representative democracy. An inference which might be drawn from this case is that crises do not promote a particular state form, but rather pose a threat to any established state form since existing strategies will be associated with domestic crisis.

Perhaps the left should consider whether the emergence of populist authoritarianism in advanced capitalist countries, such as Britain, is a response neither to the current acute economic crisis nor to the chronic crisis of Keynesianism and social democracy in a declining post-imperial Britain. Instead, Thatcherite populism may be viewed in the context of a changing economic structure and erosion of a readily identifiable national interest. From this perspective, 'Thatcherism' may not be an 'exceptional and temporary form' but may represent a technique of legitimisation associated with the disjuncture between the political level of a nation state and the economic level which, by the late sixties, had become highly internationalised.⁵

Internationalisation

The debate on Thatcherism is aware of the contradictions of capital and the state but the preoccupation is with factors internal to the nation state. This formulation of priority and autonomy to the internal is difficult to maintain in the current context of a highly integrated but nationally-based world capitalism.

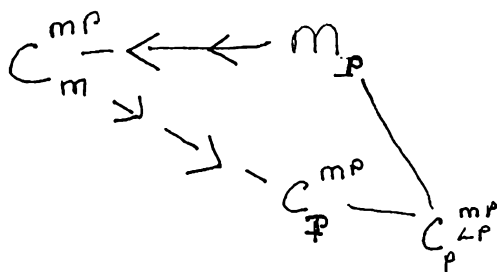
Figure 1: Typical circuit of capital operating in a peripheral import substitution industry



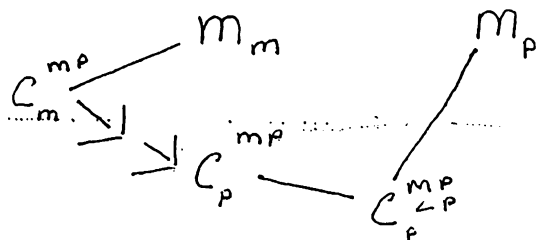
key → international flow

The typical import substitution circuit has its primary internationalisation in purchase of constant capital (machinery). There are two basic cases –

1. Productive capital is from the periphery in which case internationalisation occurs as:



2. Productive capital is of metropolitan origin and flows to periphery either as direct investment giving pattern:



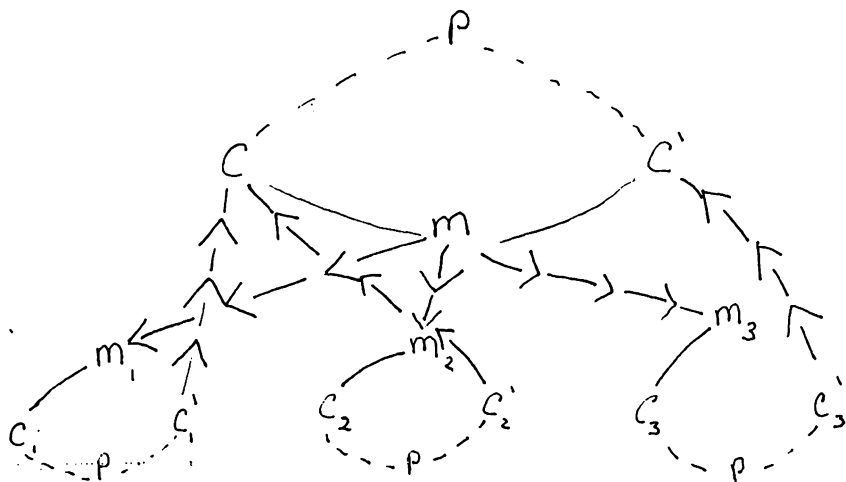
or as loan capital which then implies at least a notional flow $M_m \rightarrow M_p$ and a later repayment outflow.

Internationalisation of capital was extensively discussed in the context of imperialism in the late nineteenth and early twentieth century, but in the post-war decades its topicality faded. It was only in the late 1960s that it reemerged as a political issue. Murray (1971) and Warren (1971) initiated a debate regarding the effects of internationalisation on the power of the state. Murray took the position which underlies the argument in this paper, namely that territorial non-coincidence undermines the power of the state. Internationalisation of production is such that the possibilities for an autonomous national capitalist strategy are very limited.

An initial reaction may be that British capital has always had a strong international component with portfolio and direct investment to the colonies and flows of finance capital to London. What has changed is the nature of Britain's insertion into the world structure and hence the form of the dominant capital. In the past, internationalisation was limited primarily to the sphere of circulation which flows in either a money or commodity form of capital. Centre countries, such as Britain, tended to import raw materials, but the economy had a national coherence so that it is valid to map out the closure of circuits of industrial capital within the political entity of the state and without external dependence for either means of production or realisation of production. Growth was based mainly on home markets and increasingly linked to the rising consumption of the working class. In essence, national Fordism prevailed (Aglietta, 1976; Lipietz, 1982). The credit system facilitated realisation and expanded reproduction so long as growth expectations were realised, but once dislocated such a structure was prone to significant instability. Peripheral countries, on the other hand, can be typified by industrial circuits which have not been able to achieve national closure. For example, a typical import substitution industrial circuit, common in the 1950s, involved either an inflow of money capital from the centre and/or was dependent on an inflow of intermediate goods as means of production.

With Fordist production techniques and growing segmentation and deskilling of tasks, component factories could profitably be relocated in low wage areas, with final assembly occurring near the main markets of the centre. However, while this was the logical outcome of Fordist development, it also necessarily resulted in its crisis (Lipietz, 1982). The relocation added to problems of stagnant or declining employment in the centre and also resulted in reduced or slower growing markets. Rising unemployment, in the political context of social consensus, led to increasing state expenditure either for welfare maintenance or to reflate and create jobs. The result was 'fiscal crisis' of the centre states in the

Figure 2: Internationalised circuit of production



Notes

The major circuit is that of metropolitan productive capital.

Circuits 1, 2, 3 are of productive capital located in the periphery.

Circuit 1 is a typical pattern for internationalised raw material producer, e.g. a multinational such as Tate and Lyle which owns plantations in periphery and processing plant in the metropole. Money capital flows in to meet costs of production, final output to centre for processing. There is no autonomy and no closure for the peripheral circuit.

Circuit 2 may be typical for peripheral subsidiary making component parts: it shows the same pattern as circuit 1. Both may also have inflows of machinery/constant capital as in diagram 1. In both cases 1 and 2 the output is essentially decommodified since it is produced for consumption within the multinational, and only after processing in metropolitan enterprise does it exchange on a market to allow for realisation of surplus value.

Circuit 3 is typical of final good subcontracting from a peripheral productive capital – it is particularly found in clothing. Thus C&A can place a contract with a firm in Hong Kong and then may sell the products under their brand name. The commodity C_3 is realised as money through the international market. The metropolitan enterprise is operating as merchant capital, selling the same use value on to final consumers. In this case the peripheral firm produces a final commodity and achieves closure of this circuit by the international exchange.

1970s but the crisis occurred in a rather different world to that of the thirties when Keynesian policies were developed. In the seventies multinational corporations were responsible for much of the industrial production so that the typical circuit of industrial capital was internationalised. The result was that the dominant blocs of capital were disengaged from any single national economy. The main difference between centre and periphery countries is no longer to be found in the divergence between the spatial operation of politics and economics but where a country is located in the world system. It is also true to say that trade itself has become partly decommodified as flows are frequently internal to a firm and exchange and value are not realised until sale of the final assembled goods on the market.

Figure 2 shows that, with internationalised capital, individual circuits do not have national closure, and subsidiaries have no direct realisation of surplus value. There are international flows of use values as money capital and as partly processed commodities.

Conventionally economic data is presented with reference to a 'sovereign state' which provides statistics on items such as national income, employment, and trade in each separate country. An implicit assumption is that the instruments available to the state can effect these indicators. The validity of the assumption can and has been challenged in the Latin American context where state, national and international capital have been co-promoters of an exclusive structure of development. Unemployment, inflation, stagnation are problems for the state and become increasingly difficult to control by national strategies in open economies (Brewster, 1973). Problems associated with internationalised production, fragmentation of the interests of capital and internecine strife over control of the state are perhaps more visible in underdeveloped countries, but are becoming increasingly apparent in developed countries such as Britain.

Conventional wisdom claims that developed capitalist economies have a significant degree of economic autonomy. However the growth of multinationals and the development of offshore money markets in the last twenty years has meant increasing economic interpenetration. For a variety of historical reasons, Britain is more highly penetrated than most other major economies, such as the US with its low trade dependence, and France or Japan with their state directed systems (Aaronovitch et al, 1985).

The integration and national disintegration of the UK economy can be deduced from the growing dominance of multinational production, which can be seen in the fact that 20% of the net output of industry is by foreign-owned firms, while 30% of all industrial exports go to foreign affiliates.⁶ It can also be seen in

the dominant role of the City with its international orientation and from the massive outward capital flows which have doubled since the ending of exchange controls in 1979; net external assets increased from nearly 7% of GDP in 1979 to over 20% in 1984 (Coakley and Harris, 1984).

As the UK economy is subject to significant and growing penetration by internationally mobile and essentially stateless capital, the reproductive circuits of capital are becoming nationally disarticulated and hence increasingly resemble capital circuits of a peripheral economy. Thus the disjuncture between political and economic levels is apparent.

Conclusion

Using populist authoritarianism as a simplifying label suggests a style of government but, as Jessop et al (1985) note, it leaves considerable scope for personal interpretation. More particularly, populist authoritarianism has been defined primarily by reference to certain attitudes and practices. Little consideration has been given to specific historical contexts, which influence the formation and presentation of these attitudes and practices, and create the opening for them to emerge as a creed of government.

It has been argued here that *eurocommunist* interpenetrations of the Thatcher government give excessive autonomy and weight to the political and have a limited, eurocentric perspective on the nature of state forms in capitalist societies. How does this euro-politicism represent itself theoretically and with what effects on political strategy? This article has suggested that the Eurocommunists have an implicit model of advanced capitalist societies. It is one in which the domestic economy has two prime roles: to limit feasible political options and to define class structures. Change in the economy only has effects via these roles. In particular, the reconstitution of the working class, which has been engendered by the restructuring of the British economy, has redrawn the terrain of class compromise and only Mrs Thatcher and the Eurocommunists are said to have noticed this tendency.

Problems with this perspective were noted earlier. Put most simply, they relate to the notion of the permanent possibility of compromise/incorporation in advanced capitalist societies, and to the simplistic notion of class restructuring. An underlying theme of the Eurocommunist writers on Thatcherism is the working class have changed and in doing so have destroyed the basis of the old style politics and the hopes of the Labourist accord. This paper does not suggest that the working class is the same thing now as it was 40 years ago. Instead, it argues that changes in capital have been as great, if not greater, than the changes it has induced in the working class. The consequence is

that the whole social structure has been redrawn and not simply one class within it.

Internationalisation has been proceeding at an increasing rate over the past 15 years. If the changes in capital are analysed, what comes out most strongly is the new internationalised character of British capital and of capital active in Britain. In fact, the two types of capital can no longer be assumed to be identical. In particular, their interests may diverge, as evidenced by attitudes to exchange control or interest rates where internationalised capital favours free movement of capital and a high interest rate, while domestic capital favours the converse. The Thatcher government appears to support the new international group, extending the ideals of liberty and individual freedom to capital. Further, these capitals may not be concerned with class compromise of the social democratic type.

The Eurocommunists' strategies ignore the crucial dislocation between an internationalised accumulation system and a socio-political system grounded in nation states. The outcome is not a 'new politics' but a reconstitution of old style compromises, where the interests of the working class are subordinated to the interests of a broad alliance which tries to push for liberalisation measures within capitalist societies. Therborn (1985), Grahl (1983) and Hall (1985) for instance all suggest the need to re-establish a Keynesian type of compromise and a populism of the left.

A dislocation between national and international interests has been a common characteristic of Latin American social structures. The consequent problems of achieving a compromise satisfactory to international capital have often been solved at the expense of the mass of the population by resorting to authoritarian imposition. This is not to argue that authoritarian, or violent government is inevitable in Britain. Instead, it is to suggest that strategies of the left need to grapple with the fundamental issue of control over capital, if such authoritarian governments are to be avoided. The left must face the fact that its internationalist tendencies are in contradiction with its political and organisational base in the nation state. Valid opposition to jingoistic nationalism should not prevent the implementation of policies, such as the protection of national capital, which may be popular, and at least in the short term, pragmatically optimal.

This paper has sought to contribute to the debate on populist authoritarianism. It is obviously important to understand populism and nationalistic fervour before rushing into policy prescription. In particular, it must be recognised that the terrain within which compromise is possible has indeed changed, but that it is not a new working class that has shifted the terrain.

46 Notes

1. It is interesting to observe Hall's selective use of the work of these authors. This is such that he ignores or rejects aspects which require a more open and international view of structures. While he implicitly draws on Poulantzas's (1974) work on European facsim and the idea of 'temporary and exceptional' state forms he ignores his argument that 'exceptional' forms are not merely a response to a particular crisis but must be understood in relation to the world imperialist system.
2. Radice (1984) deals with these issues with respect to national Keynesianism.
3. See Evans (1979) on the Brazilian state.
4. See Cardoso and Faletto (1979) on Argentina and Brazil; see James (1983) and Ambursley (1981) on Jamaica.
5. See Spence (1985), who emphasises the degree of internationalisation of British Capitalism.
6. For data on the multinationals in the British economy see Fine (1985), Teague (1985), Department of Trade and Industry (1983).

References

- Aaronovitch, S., Smith, R. et al (1981) *Political Economy of British Capitalism*, McGraw Hill.
- Aglietta, M. (1979) *A Theory of Capitalist Regulation*, New Left Books.
- Alavi, H. (1972) 'The State in Post Colonial Societies: Pakistan and Bangladesh', *New Left Review* no. 74.
- Ambursley, F. (1984) 'Jamaica: the Demise of Democratic Socialism', *New Left Review* no. 129.
- Anderson, B. (1983) *Imagined Communities: Reflections on the Origin and Spread of Nationalism*, Verso Books.
- Brett, E. (1983) *International Money and Capitalist Crisis*, Heinemann.
- Brewster, H. (1973) 'Economic Dependence: a Quantitative Interpretation', *Social and Economic Studies* 1973.
- Coakley, J. & Harris, L. (1983) *The City of Capital*, Blackwell.
- Collier, D. (1979) 'Overview of the Bureaucratic Authoritarian Model', in D. Collier (ed.), *The New Authoritarianism in Latin America*, Princeton University Press.
- Di Tella, T. (1965) 'Populism and Reform in Latin America', in C. Veliz, *Obstacles to Change in Latin America*, OUP.
- Department of Trade and Industry (1983) *Multinational Investment Strategies in the British Isles*.
- Ehrenreich, J. (1984) 'Socialism, Nationalism and Capitalist Development', *Review of Radical Political Economy*.
- Faucher, P. (1980) 'Industrial Policy in a Dependent State: the Case of Brazil', *Latin American Perspectives* No. 24, 1980.
- Fine, B. et al (1984) *Class Politics: an Answer to its Critics*, Spokesman Pamphlets.
- Fine, B. & Harris, L. (1985) *Peculiarities of British Capitalism*.
- Fitzgerald, E. (1976) 'Peru: The Political Economy of an Intermediate Regime', *Journal of Latin American Studies*, May 1976.
- Foxley, A. (1983) *Latin American Experiments in Radical Neo Conservative Economics*, University of California Press.
- Gamble, A. (1981) *Britain in Decline*, Fontana.
- Gamble, A. (1983) 'Thatcher the Second Coming', *Marxism Today*, July 1983.
- Gamble, A. (1984) 'This Lady's not for Turning: Thatcherism Mark Two', *Marxism Today*, June 1984.

- Gamble, A. (1985) 'Smashing the State', *Marxism Today*, June 1985.
- Gilroy, P. & Simm, J. (1985) 'Law, order and the state of the left', *Capital and Class* no. 25.
- Grahl, J. (1983) 'The Liberal Revolution', *Marxism Today*, June 1983.
- Gray, R. (1982) 'Left Holding the Flag', *Marxism Today*, November 1982.
- Gray, R. (1982b) 'The Falklands Factor', *Marxism Today*, July 1982.
- Hall, S. (1984) 'The State: Socialism's Old Caretaker', *Marxism Today*, November 1984.
- Hall, S. & Jacques, M., ed. (1983) *The Politics of Thatcherism*, Lawrence and Wishart.
- Hall, S. (1980) 'Popular Democratic versus Authoritarian Populism', in A. Hunt, ed., *Marxism and Democracy*, London.
- Hall, S. (1984) 'The Crisis of Labourism', in J. Curran, ed., *The Future of the Left*, Polity Press.
- Hall, S. (1985) 'Faith Hope or Clarity', *Marxism Today*, January 1985.
- Hall, S. (1982) 'A Long Haul', *Marxism Today*, November 1982.
- Hall, S. (1983b) 'Whistling in the Void', *New Socialist*, May 1983.
- Hall, S. (1985) 'Authoritarian Populism', *New Left Review* no. 151.
- Hall, S. (1983a) 'The Great Moving Right Show', in Hall and Jacques, op. cit.
- Hobsbawm, E. (1983) 'Labour's Lost Millions', *Marxism Today*, October 1983.
- Hobsbawm, E. (1983) 'The Falklands Fallout', *Marxism Today*, January 1983.
- Hodgson, G. (1984) 'Overstating the State', *Marxism Today*, June 1984.
- Jacques, M. (1979) 'The Impasse Broken', *Marxism Today*, October 1979.
- Jamieson, K. (1980) 'An Intermediate Regime: Guyana', *Development and Change*.
- James, W. (1983) 'The Decline and Fall of Michael Manley', *Capital and Class* no. 19.
- Jessop, B. et al (1984) 'Authoritarian Populism, two nations and Thatcherism', *New Left Review* no. 147.
- Kalecki, E. (1976) 'Social and Economic Aspects of Intermediate Regimes', in *Essays on the Socialist and Mixed Economies*, Humanities Press.
- Laclau, E. (1977) 'Towards a Theory of Populism', in *Politics and Ideology in Marxist Theory*, NLB, London.
- Lane, T. (1982) 'The Unions Caught on the Ebb Tide', *Marxism Today*, September 1982.
- Linz, J. (1973) *The Future of an Authoritarian Situation, Brazil*, Yale University Press.
- Lipietz, A. (1982) 'Towards Global Fordism', *New Left Review* no. 132.
- Malloy, J., ed. (1977) *Authoritarianism and Corporatism in Latin America*, Pittsburgh Press.
- Murray, R. (1971) 'The Internationalisation of Capital and the Nation State', *New Left Review* no. 67.
- Nimni, E. (1985) 'The Great Historical Failure: Marxist Theories of Nationalism', *Capital and Class* no. 25.
- O'Donnell, G. (1978) 'Reflections on the Patterns of Change in the Bureaucratic Authoritarian State', *Latin American Research Review*, 1978.

- O'Donnell, G. (1973) *Modernisation and Bureaucratic Authoritarianism: Studies in South American Politics*, Berkeley, University of California.
- Poulantzas, N. (1974) *Fascism and Dictatorship*, New Left Books.
- Poulantzas, N. (1978) *State Power and Socialism*, New Left Books.
- Radice, H. (1984) 'The National Economy – A Keynesian Myth', *Capital and Class* no. 22.
- Rowthorn, B. (1983) 'Think Positive, Rethink Labour', *Marxism Today*, September 1983.
- Rustin, M. (1984) 'Opening to the Future', *New Socialist*, October 1984.
- Spence, M. (1985) 'Imperialism and Decline: Britain in the 1980s', *Capital and Class* no. 25.
- Sunkel, O. (1973) 'Transnational Capitalism and National Disintegration in Latin America', *Social and Economic Studies*, 1973.
- Therborn, G. (1979) 'The Travail of Latin American Democracy', *New Left Review* no. 113/4.
- Therborn, G. (1985) 'West on the Dole', *Marxism Today*, June 1985.
- Warren, B. (1971) 'The Internationalisation of Capital and the Nation State: A Comment', *New Left Review* no. 68.
- Wiarda, H. (1973) 'Towards a Framework for the Study of Political Change in the Iberic-Latin Tradition', *World Politics*, 1973.

ANTIPODE

RECENT ISSUES

VOLUME 16, NUMBER 3 (1984)
WOMEN AND THE ENVIRONMENT

VOLUME 17, NUMBER 1 (1985)
THE GEOGRAPHICAL IDEAS OF
KARL WITTFOGEL

VOLUME 17,
NUMBERS 2 AND 3 (1985)
PAPERS ON DEVELOPMENT OF
RADICAL GEOGRAPHY,
THEORY OF SPACE,
THEORY OF NATURE,
ANARCHISM,
THE THIRD WORLD,
GEOGRAPHY OF WOMEN,
URBAN ISSUES,
THEORY OF THE STATE

Single issue \$5.00; Double issue \$10.00. Subscription for 1985 \$12. *Antipode*, P.O. Box 339, West Side Station, Worcester, MA. 01602

Labour migration, racism and capital accumulation in western Europe since 1945: an overview.

INTERNATIONAL migration, the spatial movement of people across national boundaries and their temporary or permanent settlement in nation-states other than the one in which they were born, became a prominent feature of capitalist development in Western Europe after 1945. But there have been a number of different migrations (Bohning, 1984: 47–57), and not all of them are the subject of discussion here. First, under the regulations of the European Economic Community (European Communities Commission, 1975), citizens of member nation-states have had the right since 1968 of free movement across national boundaries in order to sell their labour power. The EEC now constitutes a single labour market, and although cultural and economic factors limit migration, political intervention cannot interfere with the movement of individuals where a job is offered and accepted. Second, there have been, and remain, significant numbers of cross-border workers, people who live close to a national border and work on the other side (e.g. Tuppen, 1978). Third, there have been more permanent movements of people across national boundaries and from outside the EEC in response to the demand for labour (Castles & Kosack, 1973). Finally, there have been a series of politically-induced migrations, often of refugees. Examples of such migrations include those of the Dutch East Indians and the Moluccans to the Netherlands in the early 1950s, Kenyan and Ugandan Asians to Britain in the late 1960s and early 1970s

The complex relationship between labour migration and capital accumulation within Western Europe has started to receive attention and generate debate only in recent years. But with this development, analysis of specific societies and migrant groups has extended ahead of the comparative experience of labour migration. This paper is concerned with the post-war political economy of migrant labour in Western Europe, and gives particular attention to the role of the state, the production crisis and the crisis management since the mid-1970s. Functionalist and economic explanations of labour migration are rejected. Instead, a dialectical analysis is offered which takes fully into account the contradictory forms of the management and political control of migrant labour. In conclusion, some consideration is given to the growth of 'anti-foreigner' and racist forms of political action.

respectively, the Vietnamese to several Western European countries in the later 1970s, and the continuing flow of asylum seekers from various parts of the world, including Turkey and parts of Central and Eastern Europe (e.g. Kraus, 1983).

In this article, I have no interest in the latter, and only a peripheral interest in the first two categories. This is because I want to explore the relationship between migration and capital accumulation within Western Europe and, in particular, the effect of the recession since 1974 on this relationship. The migration of political refugees of various types is only ever very indirectly determined by the accumulation process while the former two migrations, although determined by the demand for labour, have been on a small scale compared with the third category. Here, I refer to those in the third category as *migrant workers*, a group that I shall later divide into *colonial* and *contract* migrants.

The general category of migrant worker is gender-neutral and so, in what follows, it should not be assumed that migrant workers are male. Women have always been participants in migratory movements (Morokvasic, 1983; 1984) and this is recognised below. The category is also culturally-neutral in that it does not presume any specific cultural characteristics of those who migrate, although when particular circumstances are considered, the cultural origins of the worker have significant effects on economic position and political practice.

The intervention of the state has become central to the articulation of migration and capital accumulation. As an institutional ensemble, the state in capitalist societies must maintain the conditions for capital accumulation, an operation that requires interventions at all levels of the social formation but which is itself determined by the outcomes of the articulation of the levels. In the period since 1945, there has been in Western Europe (Jessop, 1982: 237–8):

. . . a further shift in the forms of state intervention with growing importance attached to the role of direction mediated through concertation and/or imposed from above. In particular it is no longer always in the power of individual capitals acting alone or in concert at the meso-level to mobilise the resources necessary to ensure capital accumulation, and it is necessary for the state to supplement the activities of 'real collective capitalists' at the meso-level with macro-level facilitation, support and direction.

One significant example of this facilitation has been the role of the state in organising labour migration in conditions where the reserve army of labour within the national unit is exhausted. This is an instance of what Jessop calls substantive support (1982: 234)

organised by the state for sectors of capital facing the problem of labour shortage. Such a problem is not novel within the capitalist mode of production, and neither is the use of migration to solve it. But in earlier periods, international migration into areas of capitalist expansion in Western Europe and North America (a categorisation that allows us to put on one side the role of the colonial state in organising the recruitment of labour under indenture (see Miles, 1987) was not directly regulated by the state with the aim of ensuring a permanent circulation of migrants as has happened since 1945 (cf. Carchedi, 1979: 47–8). One theme of this paper will be to describe and explain this form of intervention, and in particular, to emphasise the contradictory character of the resulting migration as revealed by the economic crisis.

But this substantive support has not been confined to the economic level. The organisation of labour migration since 1945 has required politico-legal intervention to facilitate movement across national boundaries, to define rights of residence and political participation and to expel migrants. One consequence has been the multiplication of different legal statuses for migrant workers and their families (e.g. Thomas, 1982a). These aspects of state intervention will be considered below in relation to the migration ban that followed from the economic crisis of 1973/74. Moreover, the migration of labour has created the arena for the expression of significant politico-ideological problems with which the state has been forced to deal. One important ideological response to labour migration has been the renewed expression of racism. There is a strong tradition in Marxist writing which conceives of racism as being functional for capital insofar as it serves to divide the working class (e.g. Castles & Kosack, 1972: 16). In the final section of this chapter, I want to consider this issue (and see Miles, 1982: 81–7) in relation to the complex role that the state played in relation to the expression of racism, especially since 1974. The nature of state intervention at all these levels has pertinent effects on the class position of migrant workers (e.g. Phizacklea & Miles, 1980: 1–25; Miles, 1982: 151–88).

Since the end of the Second World War and up until the mid-1970s, the movement of people across national boundaries to sell their labour power in the dominant countries of Western Europe (meaning in this context West Germany, Netherlands, Belgium, France, Switzerland and Britain) has grown significantly. By the early 1980s, there were about 7.5 million workers living in Western Europe who had migrated from outside this region (Bohning, 1974: 155; OECD, 1979: 17). This figure would be significantly

**Capital
accumulation and
labour migration**

higher if there were a reliable estimate of the number of illegal migrants resident and working in Western Europe (e.g. Couper & Santamaria, 1984). In order to explain this large-scale movement of people into Western Europe, it is necessary first to understand the general forces that determine the demand for labour within the capitalist mode of production (History Task Force, 1979).*

Marx wrote of the 'law of capital' having two countervailing tendencies (1973: 399; see also 1969: 573):

It is its tendency . . . to create as much labour as possible; just as it is equally its tendency to reduce necessary labour to a minimum. It is therefore equally a tendency of capital to increase the labouring population, as well as constantly to posit a part of it as surplus population – a population which is useless until such time as capital can utilise it.

A central feature of the capitalist mode of production is the retention of a proportion of the total value created by activating the means of production with human labour power. This surplus value, available at the end of each cycle of production, contributes to the total sum of capital, so that the mass of capital is greater than at the beginning of each cycle. But in order for this surplus to function as capital, it must be brought together with human labour power in another cycle of production. If we assume for a moment that the quality of the means of production remains the same (i.e. that machines of the same type are used), this would mean that more machines would be combined with more labour power in the same ratio in the next cycle of production. In turn, this would mean that the number of workers required by capital would increase. However, our key assumption must be set to one side.

Capitalist production is competitive, with different units of capital aiming to produce and sell more commodities than rival units. This is normally achieved by reducing the price of the commodity produced, which means reducing the labour time necessary to produce it. This can be done either by requiring the workers to work longer hours and/or more intensely with the same machinery or by reorganising the labour process so that new machines replace human labour power, as a result of which fewer workers produce the same quantity of commodities. Although both processes operate, the latter tends to predominate so that

*This is essential in order to emphasise that labour migrations cannot be explained as the consequence of individual decisions made by migrants themselves but are rather the result of structural processes (e.g. Standing, 1981).

one of the central features of the capitalist mode of production is the attempt to increase productivity by introducing more complex and powerful machinery. This reduces, relatively, the demand for labour power and can mean that workers are expelled from the production process.

However, under certain conditions, this same process can lead to an increase in the demand for labour. First, at the end of each cycle of production, the total mass of capital has increased, and can be used to expand the scale of the labour process (e.g. by opening a new factory). Even where this expansion of production is accompanied by the introduction of new machinery to replace human labour power, the overall increase in the scale of production can offset the effect of an increase of constant relative to variable capital on the total number of persons employed. In other words, the total expansion of the productive process draws in more labourers than are expelled by the introduction of new machinery. Second, where new machinery breaks down tasks previously carried out by highly skilled labour, and introduces semi-skilled labour in its place, more workers may be employed without increasing total expenditure on wage labour because the value of semi-skilled labour is lower than that of skilled labour. The overall consequences are an increase in productivity and an increase in the demand for labour. Finally, the simple expansion of the productive system by means of capital concentration at given levels of technology can lead to an increase in the number of workers employed, an increase in surplus value being obtained by increasing the intensity of the labour process. These are all aspects of the tendency of the capitalist mode of production to increase the size of the labouring population.

The two tendencies identified by Marx do not necessarily operate in the same combination in all sections of a national economy. Consequently, certain sectors may be undergoing major reorganisation of the labour process, leading to the expulsion of large numbers of workers from production, while others are recruiting new workers. The particular interrelationship is always a matter for historical investigation. It is this unpredictability of the outcome of the working of these two tendencies that creates what Marx called a relatively surplus population, or reserve army of labour (1976: 781–802). Marx identified a number of different sections of the reserve army of labour. The most important were the large number of individuals underemployed in agriculture (the latent surplus population) and those previously employed by capital but temporarily expelled (the floating surplus population). It is essential that there exists a section of population that is available to respond to an increase in labour demand because when surplus value is accumulating it can only function.

as capital if labour power is immediately available. If it is not, the accumulation process will falter. Moreover, the existence of a reserve army tends to limit any tendency for wages to rise: in situations of considerable labour scarcity, competition between units of capital would force up wages to the point where they might threaten the accumulation of surplus value.

These general processes of the capitalist mode of production can now be illustrated historically.

The capitalist state and labour migration in Western Europe

In the immediate aftermath of the Second World War, the ruling classes of Western Europe faced the task of reconstituting the conditions under which 'normal' capital accumulation could continue. The political problem of regaining control over the working class seeking major reforms after the hardships endured during the war was perhaps more significant than the economic problems (Armstrong et al, 1984: 25–44). However, specific labour shortages appeared in some sectors in certain countries, and various schemes were implemented in order to recruit labour from outside national boundaries. In Belgium, for example, over 61,500 Polish and Italian workers were recruited in 1946 and 1947 to work in the mining industry (Debband & Declerck, 1982: 13). In Britain, there were major shortages of labour in agriculture, mining, textile manufacture and the metal foundries, to which the state responded by recruitment from the refugee camps of Western Europe. Between 1946 and 1950, some 77,000 refugees were brought to Britain as European Volunteer Workers, and they were joined by around 88,000 members of the Polish armed forces already exiled in Britain and about 8,000 Ukrainian prisoners of war (Tannahill, 1968).

But these specific labour shortages reflected a slow recovery from economic disorganisation rather than any long-term and sustained boom and it was not until after the effects of Marshall Aid from the United States and the increase in production stimulated by the Korean War had worked their way through the Western European economies that it became evident that a major expansion of capitalism was underway. What Mandel has identified as a 'long wave' of capitalistic development continued until 1968 (1980: 2–6). The accumulation of capital was accompanied by an increasing demand for labour and there were only limited sources of recruitment within Western Europe. The movement of workers out of agriculture and into industrial production provided one traditional source of labour for such an expansion, as did the movement into wage labour of married women. However, these were unable to keep pace with the demand for labour and, as a United Nations survey put it (1979: 49):

During the last 10–15 years, these limitations in the supply of domestic labour have been made up in several countries by immigration from other countries of Europe.

This migration of labour, combined with increases in the volume of constant capital, has been a crucial factor in increasing productivity (United Nations, 1964: chapter 2).

This recruitment of labour from outside national boundaries can be understood as a further stage in the *internationalisation of the labour market* (Carchedi, 1979: 38–9; also Sassen-Koob, 1981: 65–70). There were two main sources of recruitment. The first was from the colonies and ex-colonies of Western European nation-states, while the second was from what can be called the Mediterranean periphery of Western Europe. The means and conditions of recruitment differed significantly, as did the role of the state. Accordingly, I refer to the former as colonial migrants and the latter as contract migrants. Concerning the colonial migrants, of the Western European economies whose expansion led to labour recruitment from outside national boundaries, only Britain, France and the Netherlands had colonies or ex-colonies which could potentially serve as a source of labour. In the case of the Netherlands, only a small proportion, if any, of the migration from Surinam and the Dutch Antilles can be explained as a direct response to labour demand (Bovenkerk, 1979: WRR, 1979). But for Britain and France, colonies and ex-colonies proved to be a major source of labour and in both cases, the legal position of the citizens of these colonies and ex-colonies facilitated the migration (e.g. Freeman, 1979) and reduced the scope for state intervention to directly organise the migration.

In Britain, the process of decolonisation had left the populations of ex-colonies with a form of dual citizenship. As colonies achieved independence after 1945, most joined what was called the Commonwealth, a form of post-imperial political associations. Citizens of India and Pakistan, along with citizens of the numerous Caribbean islands, were also defined in British law as Commonwealth citizens, a legal status that gave them the right to migrate to and settle in Britain with full civil and political rights. It was within this legal framework that colonial migration to Britain occurred in response to labour demand. A small population of Caribbean origin had been long-established in British seaports. This group constituted the basis for what became a classic chain migration (Watson, 1977) and, by means of informal channels of communication, migration flows responded precisely to prevailing economic circumstances (Peach, 1968). In only one major instance did an employer (London Transport) directly organise recruitment in the Caribbean (Brooks, 1975: 256–70). As the

decade neared its end, migrants from the Caribbean (a significant proportion of whom were single women who migrated on their own initiative – Smith, 1977: 26–34; Foner, 1979: 55–8) were joined by migrants from the Indian sub-continent, but the close correlation between supply and demand began to break down as the racist agitation for controls over the migration increased in intensity and showed signs of persuading the government to intervene (Miles and Phizacklea, 1984: 23–44). The British government removed the right of entry of Commonwealth citizens in 1962, but allowed a small but continuing flow of migration from the Commonwealth (and elsewhere) until 1965 when all semi- and unskilled recruitment from the Caribbean and Indian sub-continent was terminated. Thus, state intervention in the British case took the form of limiting and then stopping a migration of labour that was directly determined by economic conditions, although facilitated by politico-legal and ideological factors.

The French case is far from being a precise parallel, not least because colonies and ex-colonies were not the only major source of labour. Moreover, there had been a long tradition of migrants entering France to work prior to 1945 (Cross, 1983; Green, 1985; Singer-Kerel, 1986) and after World War II the French state openly declared in favour of a policy of permanent immigration and set up in 1945 an administrative structure, the Office National d'Immigration (ONI), to organise it. In reality, the ONI had little influence and, until the late 1960s, most migration was informal or privately initiated by employers. This was equally the case for migrants from France's colonies and ex-colonies, although their legal status differed from other migrants as they were either French citizens or ex-French citizens with favoured status. There was an unrestricted flow of migrants from France's North African colonies and later ex-colonies (Algeria, Tunisia and Morocco) and from France's West African colonies and ex-colonies (Mali, Mauretania and Senegal) until the mid-1960s. Migration from Guadeloupe and Martinique in the Caribbean and from Réunion in the Atlantic remains unrestricted because these islands remain politically integrated with France (Freeman, 1979: 69–90; also McDonald, 1969).

The migration of people seeking to sell their labour power in Britain and France from colonies and ex-colonies occurred with little or no direct involvement by the state. Because common citizenship made it possible for residents of the various overseas territories to move freely across national boundaries, the dominant regulating mechanism was the level of demand for labour, and as long as these economic circumstances prevailed, any direct involvement of the state was concerned primarily with the political consequences of migration. Direct state intervention

occurred in order to restrict and/or terminate the entry of colonial migrants, a process that involved a reassessment of the nature and rights of colonial citizenship. The extent to which this intervention was dictated by economic factors or by purely racist agitation is an interesting and little considered question.

These events contrast sharply with the role of the state in connection with the migration of labour from the Western European periphery. In this instance, the migrants were without rights of entry for work and settlement in Western Europe, and so legislative intervention was required to establish or modify the legal framework to permit entry and to define the political and social rights of migrant workers whilst resident in Western Europe. Consequently, unlike colonial migrants, contract migrants occupy a disadvantaged position in politico-legal relations by virtue of not being citizens of the social formation in which they sell their labour power. However, in most cases, the state's intervention exceeded this minimal role. Additionally, the state negotiated agreements within nation-states willing to allow the emigration of their citizens, and in certain cases, it directly organised the recruitment of workers on behalf of employers. Whether or not the latter happened, those selected were required to sign a contract with an employer, initially for one year, which set out the conditions of work, after which residence and work permits were issued, usually upon entry into Western Europe. The employer was invariably responsible for meeting the cost of transport and for the provision of accommodation.

This system of contract labour migration had a distinct rationale. Migrant workers were admitted to the recruiting Western European nation-states in order that they might sell their labour power on a temporary basis. Consequently, when the contract expired, it was envisaged that the migrant would return to the country of origin, from where he or she would be replaced by another individual. Alternatively, the original individual could be offered a new contract. The crucial feature of this system was, therefore, that the state and employers would regulate the flow of migrant workers in and out of the country according to the demand for labour, implying that in a period of recession migrant workers whose labour power was no longer required could be returned to their country of origin. Although the system did function partially in this manner, particularly in the early period of its utilisation, the Western European states and employers increasingly faced the consequences of a series of contradictions that developed for mainly economic, but partly political, reasons. These will be discussed in a later section.

There was some variation between the various nation-states of Western Europe over the precise role of the state in the

recruitment of contract migrant labour. For example, in Belgium, recruitment in the late 1940s was organised directly by the state but in the 1950s and early 1960s, a more informal system operated, with intending workers entering Belgium as tourists and obtaining a work and residence permit from the state after they had found employment. In the late 1960s, the state intervened more directly, requiring employers to gain permission before recruiting workers from outside Belgium. Moreover, the employer could only recruit workers from those countries with which there was an agreement to export labour to Belgium. Such agreements made provision for the Belgian state to open a recruitment office within the territory of the labour-exporting country (Debbant & Declerck, 1982: 13–19). In West Germany, direct state involvement was more systematic and consistent after the flow of political refugees (Schechtman, 1962: 287–340) was effectively terminated in 1961. The Bundesanstalt für Arbeit set up labour recruitment offices during the 1960s following the signing of bilateral agreements and all recruitment was organised and carried out through these offices (Rist, 1978: 61). The system was partly modelled on the experience of the use of forced foreign labour in the Nazi economy of the 1930s and 1940s (Rhoades, 1978: 560–3; Dohse, 1981). In Switzerland, the state established a legal framework for an even more rigorous rotation of migrant workers on an annual contract basis, combined with border crossing permits (for daily commuting) and seasonal permits (for periods of up to nine months). The actual recruitment of workers was carried out by employers, but migrant workers were required to obtain permits from the state which has used its power to varying degrees in order to ensure a high turnover of workers (Mayer, 1965: 123–4; Hoffman-Novotny, 1974: 14–19).

The large majority of contract migrant workers in the early phase of the migration in the 1950s and 1960s were young men, although the specific recruitment of women, especially from Spain and Portugal, for various sorts of domestic and service work also occurred (e.g. Trindade, 1979: 221, 230; also Phizacklea, 1983a). Workers were recruited, in the first instance, from the northern Mediterranean region, the main suppliers being Italy, Greece, Spain and Portugal, but as the demand and competition between Western European states both increased during the 1960s, recruitment also took place from the southern Mediterranean (Morocco and Tunisia) and from Yugoslavia and Turkey. One simple statistical measure of what all these countries had in common is the proportion of the economically active population engaged in agriculture. For example, in Greece the proportion in 1961 was 56%; in Portugal in 1960 it was 44%; in Spain in 1960 it was 42%; and in Yugoslavia in 1961 it was 60%.

In comparison, the proportion for West Germany in 1961 was 13% and for Britain in the same year, it was 4.5% (United Nations, 1979: 31-3).

Although not all migrants came from agricultural regions, these statistics are a reflection (with the exception of Yugoslavia) of the comparatively retarded and even more uneven development of the capitalist mode of production in these nation-states. Consequently, the limited growth of manufacturing industry and commodity production, and the limited penetration of capitalist relations of production in agriculture had not forced the dramatic economic and social transformation (part of what Marx referred to as the process of primitive or primary accumulation) that had occurred throughout Western Europe in the late nineteenth and early twentieth centuries, pushing a large proportion of the population off the land and into wage labour in the expanding urban centres of industrial production. The states of the Western European periphery were committed to overcoming what was viewed as relative backwardness or underdevelopment, and believed that the export of a proportion of their population would assist the spread of the capitalist mode of production and so increase industrial employment. The process and effects of this state intervention can be illustrated with the example of Turkey. In 1964, 66,000 people left Turkey to work in Europe, and the annual total peaked at 127,500 in 1970. By 1973, there were approximately 850,000 Turkish migrants in Western Europe (Paine, 1974: 58, 122).

For the Turkish state, the aims of labour export were to alleviate unemployment and thereby reduce social tension, to provide migrants with new skills which would assist industrialisation on their return, and, third, by migrant remittances and savings, provide a source of foreign exchange and capital formation. It is significant that capitalist interests in Western Europe also refer to these anticipated benefits in order to justify their assertion that the exploitation of migrant workers' labour power in Western Europe was 'a huge effort in development assistance rendered by the countries receiving labour to those sending it' (Hume, 1973: 5).

However, these objectives have not been realised. First, the vast majority of Turkish migrants have been employed in unskilled jobs in manufacturing or construction, and many of the men were employed in less skilled jobs than in Turkey. Moreover, very few migrants received any formal training while linguistic abilities were poorly developed. Second, although Turkish migrants have saved and remitted considerable sums of money, very few of them have formed or invested money in industrial companies or co-operatives in which others would be

or were employed. Where money had been invested in business activities, the most common forms have been land purchase to establish small farms and service and commercial ventures. Considerable sums of money (about half of all savings) have been spent on new houses and consumer durables (Paine, 1974: 91–8, 114–20). Thus, although unemployment may have been partially alleviated, at least temporarily, capitalist development has been limited and the fundamental problems facing the Turkish state remained unresolved in the early 1970s. The failure of labour export to resolve economic problems in the way initially envisaged by the state is also evident in Yugoslavia where the state plays a more direct role in economic development. There, too, remittances have tended to be used to build new houses and to purchase various sorts of consumer durables, and even where tractors have been purchased to increase productivity of the land, the consequences have not necessarily been positive because of the displacement of labour and because too many tractors have been purchased (Baučić, 1972: 29–33, 35–6). Baučić has concluded that labour migration has had, overall, an adverse effect on economic development in Yugoslavia (1972: 43).

But if labour export did not realise the objectives of the peripheral states (Sassen-Koob, 1978: 539–40), it played a more positive role in the nation-states of Western Europe. Briefly, the long wave of capitalist development in Western Europe exhausted their respective reserve armies of labour but the accumulation process continued by means of drawing upon an actual or potential labour force that was located outside their national boundaries. Thus, labour migration accentuated the process of uneven development of the world capitalist economy.

Migrant labour and production relations

But where were the shortages of labour located in Western Europe? Migrant workers came to sell their labour power but not in positions of their own choosing: vacant positions in the hierarchy of wage labour tended to occur only in certain sectors of the Western European economies. Broadly speaking, the pattern of capital accumulation led to an expansion of non-manual positions in the service sector (e.g. banking, insurance, education) and to an expansion of semi-skilled positions in new and/or expanding areas of manufacturing (e.g. production of consumer durables). For a variety of reasons, labour was drawn into these expanding sectors, leaving others short of labour. The latter positions were often longer established sectors of production which faced increasing world competition. This forced a reorganisation of the labour process and an intensification of the exploitation of labour by the introduction of new machinery and de-skilling. The ex-

ample of the British textile industry since 1945 illustrates this latter process (Fevre, 1984). Other sectors requiring labour included those which were labour-intensive and which had less scope to increase productivity by reorganising the labour process by means of the introduction of new machinery. These included construction and various forms of service occupation. Both sectors underpinned the increased rate of accumulation in manufacturing. In sum, migrant workers were recruited mainly, but not exclusively, for semi- and unskilled manual work in sectors vacated by indigenous workers.

The evidence for this is substantial. In West Germany in 1974, 61.9% of migrant workers were employed in manufacturing industry, 11.9% in construction and 11.8% in service industries (Rist, 1978: 70). Throughout the 1960s and the early 1970s, well over half of Turkish workers in West Germany were employed in industry, and more than 15% in construction (Kudat, 1979: 250). In France in 1968, 94% of migrant workers were employed in manual jobs, and 69% were employed in semi- and unskilled manual jobs. Evidence for the early 1970s shows a concentration of migrant workers in mining, metal work and production, manufacture of building materials, production of rubber and asbestos, construction and public works, and sanitation (Freeman, 1979: 27, 29). In Switzerland, migrant workers were predominantly employed in agriculture, domestic service and hotels and restaurants in the 1950s, but more migrants were recruited into industry. By the 1960s, there was a large concentration of migrants in construction, metals and machinery, textiles and clothing, and only hotels and restaurants remained a major employer of migrant labour (Mayer, 1965: 129).

Concerning the Netherlands, over three-quarters of temporary work permits issued between 1969 and 1975 were for industrial occupations and most of the remainder were issued for service occupations. A significant proportion of permits were issued for the manufacture of foodstuffs, textiles, metal trades, construction, manufacture of building materials and the composite group of leather, rubber, chemicals and oil (WRR, 1979: 96; also Marshall, 1973: 35–7, 88–93). A survey of employers conducted in the mid-1970s found that 79% of migrant workers were employed in manual production jobs, of whom 47% were unskilled and 39% were semi-skilled workers. It also found that 43% of migrant workers were engaged in shift work (cited in WRR, 1979: 129–30; see also Penninx, 1984a: 23–7). Finally, for Britain, there is consistent evidence of the concentration of migrant workers in manual work and in particular industrial sectors (e.g. Daniel, 1967; Smith, 1977).

These statistics obscure the specific position of migrant

women in Western European capitalist economies. To a significant degree, there is variation between different European countries and according to the cultural origin of migrant women, but certain general patterns are evident. The most significant is that, considered in relation to the changing position of all women in the labour market, migrant women tend to be concentrated in the 'manual sectors' of those areas of employment specifically allocated to women. Where migrant women have been caught up in the growing concentration of women in the tertiary sector, they tend to be concentrated in the lowest paid sections. Thus, migrant women in Western Europe, where engaged in wage labour, tend to occupy a distinct position in economic relations (Phizacklea, 1983b: 101–10).

It is therefore clear that migrants tended to enter production relations in Western Europe as sellers of labour power to employers short of manual workers. Moreover, they were recruited largely as sellers of semi- and unskilled labour and in particular sectors of construction, manufacturing and services. However, additionally, an unknown but probably large proportion of migrants retained direct or indirect involvement in often pre-capitalist relations of production within their national unit of origin, particularly in the form of landownership. Such workers, in effect, occupied a position in two different but interrelated sets of production relations.

Crisis and the contradictions of labour migration

Marxists have emphasised the determining role of the interests of Western European capital in the development of labour migration since 1945, and they are correct to have done so because the continuing recruitment of labour was essential to sustain the capitalist boom. Nevertheless, 'capital logic' is not an exhaustive explanation, not least because of the direct complicity of the states of the European periphery in the construction and maintenance of the migrant labour system. But, additionally, migrant labour recruited outside the national boundaries of Western Europe had two more specific benefits to capital. First, by recruiting young, single people, capital and the state in Western Europe were importing 'ready made' workers and were therefore not required to meet their costs of production. The costs of rearing, feeding and educating the migrant worker were met within the political framework of the sending nation-state and, when the migrant's labour power was no longer required, the costs of sustaining that person were also to be met within the sending nation-state. This constituted a major net saving for capital and the state in Western Europe (Gorz, 1970; Meillassoux, 1981: 124–6).

Second, the principle of contract migration whereby 'foreign'

workers were allowed temporary residence in Western Europe was designed to be compatible with the cyclical nature of capitalist production and accumulation: in periods of economic depression, new contracts need not be issued and extant contracts need not be renewed. Thus, those expelled from the labour process could be returned to the nation-state of origin, and the state and capital in Western Europe would not be required to meet the costs of reproduction of the reserve army of labour which lay beyond their jurisdiction (e.g. Meillassoux, 1981: 122–3). This benefit was not necessarily available in the case of colonial migrants who entered with the right of settlement. But there is some evidence to show that this did not happen for some contract migrants. For all countries recruiting contract migrants, there was a reduction in the number of admissions during the course of the 1967/68 recession, after which the numbers increased as production temporarily recovered (e.g. Salt & Clout, 1976: 90–1). Moreover, in a number of instances, the state explicitly legitimated its migration policy by reference to its ability to export unemployment (e.g. for Switzerland, see Mayer, 1965: 124; for West Germany, see Castles et al, 1984: 72).

Yet, as critics of Marxist analysis have pointed out (e.g. Schmitter, 1983: 316), if capitalist interests were all-determining, how is it possible to explain the fact that, following the collapse of the boom in 1973/74, and the onset of stagnation and crisis, there has not been any large-scale expulsion of migrant workers from Western Europe? Moreover, while large numbers of migrants remain employed, the floating and stagnant sections of the reserve army of labour (Marx, 1976: 794–6) have increased in size in Western Europe. In order to explain this, it is necessary to reject the undialectical and functionalist assumptions that have framed certain Marxist analyses and to approach the contract migrant system as a necessarily contradictory phenomenon, taking full account of the historical circumstances in which it was identified as a solution to maintaining the conditions for capital accumulation.

It was because the accumulation process was sustained over a period of a quarter of a century that the rationale of the rotation of migrant workers was undermined. This is so for the following reasons. First, as the boom continued, employers increasingly developed interests in retaining at least a proportion of their migrant workforce in order not to have to repeatedly meet the costs of recruiting and training new workers. Instead, contracts were regularly renewed. Second, migrant workers were increasingly recruited to work in sectors of the economy essential to its survival (e.g. car production, metal manufacture and transport), but where the conditions of work were a disincentive to indigenous labour as long as there was a demand for labour elsewhere.

Third, as the overall demand for labour increased, the states negotiating the conditions for the export of labour from within their territories were able to improve the legal conditions of their citizens' temporary residence in Western Europe. Western European states were willing to agree in order to ensure that they retained access to migrant labour in a highly competitive situation. In particular, male migrants were granted the right under certain circumstances to bring their spouses and children to live with them while selling their labour power in Western Europe. This coincided with the interests of a significant proportion of male migrants who found that they had good reason to remain in Western Europe for a longer period than they had anticipated in order to maximise the sum of money with which they hoped to return. As their length of stay increased, there were both social and economic reasons for them to be joined by their families or to form a family unit.

The consequences were twofold. First, although rotation continued, an increasing proportion of migrant workers extended their stay over a longer period of time. Second, an increasing proportion of male migrants were joined by spouses and children, and these families began to reproduce themselves within Western Europe. Thus, the demographic composition of the migrant population in Western Europe changed, the trend being away from single, predominantly male population to a population of men, women and children organised in family units. So, to illustrate the first consequence, and taking the example of West Germany, in 1981 15.3% of all migrants had been resident for in excess of fifteen years and 56.9% had been resident for eight years or more (Booth, 1984: 36–7 and table 80). Concerning the second, and again referring to West Germany, the foreign population in 1969 consisted of 56.2% men (aged 16 plus), 28.6% women (aged 16 plus) and 15.3% children (aged 0–15). By 1981, the respective figures were 44.9%, 29.9% and 25.2% (Castles et al, 1984: 102). Because of this change, it is necessary to distinguish between the number of migrant workers resident in Western Europe and the total migrant population. Castles et al estimated the latter to be a little over 15 million persons in 1975 and 15.7 million persons in 1980 (1984: 87; see also United Nations, 1979: 79).

Against this background, we can explore in more detail the way in which the emergence and development of the economic crisis in the 1970s affected migration flows and shaped political conflicts arising from the entry of migrant workers and their families into Western Europe. The end of the 'long wave' of capitalist expansion was eventually marked by the intervention of the state to halt the recruitment of migrant workers in all the

major Western European nation-states (with the exception of Britain) in 1973/74. This 'lag' between the end of the 'long wave' and the halt in recruitment of migrant labour is not noted by Mandel (1980: 26-7) and requires explanation. Moreover, the British case is exceptional insofar as the free flow of migrant colonial workers was severely limited in 1962 as a consequence of racist agitation, and was effectively stopped in 1965. However, migration from the Republic of Ireland and from Europe (the latter on the basis of a work permit system) continued on a reduced scale through the rest of the decade. The earlier intervention of the state in Britain can be explained by the comparative weakness of the British economy and the earlier emergence of crisis (see Miles, 1985a).

The unilateral termination of recruitment was a measure of the fact that the labour exporting countries (Bourguignon et al, 1977: 37):

... can have only limited control over emigration and foreign investment, since the potential volume of flows in both factors is dictated by the industrialised countries and the overall economic situation of the countries concerned.

The immediate consequence of the recruitment ban was, to quote another OECD report (1979: 8):

... to redistribute the burden of unemployment to those countries least able to cope with the problem ... Less economically advanced countries appear to be bearing a disproportionate share of the current unemployment problem.

Thus, with the onset of crisis, the countries of the Western European periphery were unable to continue to reduce their unemployment problem by exporting labour. Additionally, there were return flows of migrant workers to Spain, Greece, Italy and Yugoslavia (Penninx, 1984b: 14). The extent of these outflows differed from one Western European nation-state to another, partly because of different policies concerning the extension of work permits (Amersfoot, Muus & Penninx, 1984). Moreover, the fall of military dictatorships in Spain and Greece probably served as an inducement to return for a proportion of migrants.

But there was no large-scale, forced expulsion of migrants. Rather, there was a growth in the numbers of dependents joining migrants who had gained certain rights of residence. Following the recruitment ban, there was no possibility of these workers being able to return to Western Europe if they went 'home', and many elected to remain, and so sent for spouses and children. This was particularly the case for migrants originating from

North Africa and Turkey (Penninx, 1984b: 19–20). Thus, the post-1974 return flows previously noted were cancelled out by an increasing flow of dependents joining migrants whose legal position ensured that they retained rights of continuing residence. A similar process occurred in Britain after controls on Commonwealth migrants were imposed in 1962 (Deakin, 1970: 47–54). Underlying this was the economic fact that a large proportion of migrant workers was employed in sectors of the economy essential to its reproduction, even in a period of crisis. The overall maintenance of the total number of migrants in the period of crisis had a major impact on the demands of state expenditure (cf. Burawoy, 1976). As an OECD report put it (1979: 29–30):

Over time, as migrants remain in host countries and the process takes on a more permanent nature, larger claims on the social infrastructure arise. The children of migrants must be schooled, and medical services, housing, welfare benefits and other publicly financed services must be diverted to those whose characteristics and tastes become increasingly transformed in line with those of the host-country population. Increasing claims on public goods and services serve to reduce the net economic benefits accruing to the host country.

The trend towards permanent settlement coincided with the developing economic crisis of the world capitalist system, the solution to which was being sought in reduced state expenditure and increased levels of unemployment. The latter meant an expansion of the internal floating reserve army of labour within Western Europe as sectors of production were closed down completely and others underwent major reorganisation, recomposing the relationship between constant and variable capital. Moreover, the arrival of an increasing number of migrant women added to the size of the potentially employable population within Western Europe while the increasing number of births to migrant women provided a continuing supply of potential labour power of 'foreign' origin.

Capital accumulation and crisis

The economic crisis is synonymous with a reorganisation of the accumulation process as capital attempts to create the conditions for renewed expansion. There is, therefore, a dual process of stagnation and rationalisation of production going on, leading to units of production being closed down and others relocated. There are three dimensions to this which directly affect migrant workers and their families.

The first follows from the fact that a key element in the rationalisation process is the replacement of labour power with

machinery in an attempt to increase the rate of relative surplus value. As I have shown, it was to such semi-skilled jobs that migrant workers were originally recruited, the implication being that their over-representation in these sectors means that they are therefore over-represented amongst those being expelled from the labour process. Those expelled face three options. First, where they have gained the right of permanent residence in Western Europe, they may constitute a part of the floating reserve army of labour within Western Europe, awaiting re-employment. Where they have no right of permanent residence, there are other possibilities. Hence, second, they may be required to return to the country of origin or, third, they can elect to remain in Western Europe as illegal residents, threatened by deportation.

We lack sufficiently detailed comparative studies which show the extent to which each of these possibilities is happening, but we do know that migrants are disproportionately affected by the reduction of employment and are over-represented amongst those constituting the expanded reserve army of labour within Western Europe. Thus, in West Germany between 1974 and 1977, there was a significant fall in the total number of people in employment, and migrant workers were dramatically over-represented amongst those expelled from production. For example, of the reduction in the number of those employed in manufacturing in this period, 41.7% were migrant workers; the comparable figure for construction was 37.7% (Dohse, 1982: 35-9). Concerning unemployment, by the early 1980s, a larger proportion of migrant workers than indigenous workers were unemployed throughout Western Europe (Castles et al, 1984: 146-7), contradicting the claim that migrant workers are not disproportionately affected by the crisis (Lever-Tracey, 1983: 139-42). Migrant women are further over-represented amongst those expelled and excluded from wage labour in Western Europe (Phizacklea, 1975).

But simple conclusions cannot be drawn from this broad view. The redundancy process is a complex one, involving the application of various criteria and the involvement of trade unions whose role is to challenge those criteria and their application (a role that does not necessarily advantage migrant workers). A study in the Netherlands (Groenendijk et al, 1984) challenges Dohse's conclusions (1982) about the vulnerability of migrant workers simply because of their inferior legal status, although it confirms that migrant workers were over-represented among those made redundant. Moreover, the vast majority of migrant workers have remained in employment. For example, in West Germany in 1981, there were 2,082,000 foreign workers in the

labour force, constituting 9.5% of the total workforce. In Belgium, the respective figures were 323,000 and 8.7% in 1981, and for the Netherlands in the same year, they were 238,000 and 4.9% (Castles et al, 1984: 127–8). Attention must therefore also focus upon the role that migrant workers play within the labour market under conditions of crisis and reorganisation.

Thus, to take the example of France, the overall number of foreign wage and salary earners decreased by 12% between 1973 and 1976, and in the same period the economically active foreign population decreased by 9% (Singer-Kerel, 1980: 6), but in certain sectors of employment, the proportion of migrant workers has actually increased. Singer-Kerel has concluded (1980: 6):

We saw that foreign workers are still numerous in the building or in the car industry, that is to say, in branches badly hit by the crisis. But their contribution has been equally important in sections that were being restructured like textiles. The added fact that their rate of penetration has a tendency to rise in such dynamic branches as the chemicals is also significant. Foreign labour has been used both to preserve the old and build the new.

This suggests that migrant workers constitute an important element of flexibility within labour markets under conditions of crisis. So, not only are they over-represented amongst the increasing floating and stagnant reserve army of labour but they also continue to occupy a prominent position in key sectors of manual employment as well as meet some of the labour demand in the sectors that are capable of expansion. This confirms those analyses which emphasise that migrant labour in late capitalism should be seen as being divided into those who are relatively permanent and those who are temporary (e.g. Carchedi, 1979).

The flexibility of migrant labour is refracted in a second process central to the recomposition of capital in a period of crisis, the decentralisation of production (Phizacklea, 1985). This is manifest in the growth of small business and homeworking, sites of production which are often linked together with large units of capital in a complex chain of subcontracting. Decentralisation is particularly significant in the production of footwear, paper products, cutlery, assembly of consumer durables and electronic products, and clothing. Broadly, the process of decentralisation involves the central co-ordination of planning, design, marketing and certain production activities (often utilising various aspects of new technology) and/or the subcontracting of the bulk of the production process to a multitude of small units. The abolition of factory methods of production reduces supervision and certain production costs, isolates workers and

discourages organisation and struggle, and permits the reduction of wage costs. It allows the avoidance of labour legislation and permits unregistered employment. It is a response to trade union power and the demand for short production runs (Brusco, 1981: 171-3). In sum, decentralisation offers the prospect of decreased production costs and increased profits.

Migrants have a particular tendency to become both entrepreneurs and wage labours in this process of decentralisation for various reasons (although the scale of their involvement is difficult to measure). They are more likely to be unemployed while exclusionary practice limits their opportunity to sell their labour power. Racism may force them to avoid employment alongside indigenous labour. Illegal status may also limit which part of the labour market they are 'free' to enter. All these factors increase their propensity to work for low wages in poor working conditions, two central characteristics of small businesses and home-working. As for the migrant entrepreneur, entry into this petit-bourgeois class position is facilitated not only by the small sums of capital required, but also by the use of kin-networks to provide that capital and the often individualistic and self-advancing ideology that accompanied migration. This combination of decentralisation and migrant labour power is particularly evident in Britain but is also occurring elsewhere in Europe (Boissevain, 1984). It is particularly evident in the clothing industry (e.g. Solinas, 1982) where migrant women are a major source of labour power (e.g. Hoel, 1982; Anthias, 1983; Mitter, 1986). Cultural traditions of patriarchy combined with the maintenance of extended family networks and obligations, all reinforced by exclusion and racism, ensure that migrant women are specifically vulnerable to exploitation as wage labourers in small firms and as homeworkers. The personification of their immediate exploiter is therefore often found in their male husband, brother or cousin. Racism and sexism articulate to overdetermine their reproduction as wage labourers in decentralised production alongside their role as the reproducers of labour power.

The third dimension of the reorganisation of the accumulation process is the increasing levels of capital export to locations outside Western Europe. This is a consequence of strategic decision-making by sections of the capitalist class. An OECD study considered the implications of the recruitment ban in 1973/74. The authors concluded that as far as the countries of Western Europe were concerned (Bourguignon et al, 1977: 13) there should be a

. . . restructuring of their machinery of production. At the limit, this restructuring should tend to eliminate from

domestic activity goods whose production demands directly and indirectly a relatively high proportion of workers of the type made available through immigration and for whom imports can be substituted. At the same time, however, production for non-transferable goods should be rendered more mechanised and priority given to high-technology transferable goods.

This, as I have already suggested, is already happening. The implication for countries that previously exported labour is that they should (Bourguignon et al, 1977: 13–14):

. . . 'inherit' certain activities which were in the course of being abandoned in immigration countries, either by directly capturing newly-opened markets (by financing their investment through loans in the international capital market), or by taking on activities exported by the industrialised countries in the form of direct investment.

And what activities would the Western European periphery 'inherit'? The authors concluded that the most likely candidates are those forms of commodity production involving 'low-skilled relatively labour-intensive processes' for which migrants were recruited in the 1960s and 1970s (1977: 53). Elsewhere in the study these are identified as sectors characterised by low wages and low rates of return on capital (1977: 123–7).

The strategy is clear. The most dynamic and profitable sectors of production (involving complex technology and small quantities of skilled labour) are to be retained in Western Europe while certain labour-intensive, low-profitability sectors are to be exported to the periphery. Such relatively backward sectors of production are considered to be more likely to continue to realise surplus value if they employ labour power which has a lower cost of production and reproduction. The additional advantage not explicitly mentioned by the authors of the OECD study is that capitalists exporting these sectors of production (and the state of the country in which they are based) are not required to meet any of the production costs of this labour power which remains within the jurisdiction of the states of the periphery.

However, the Western European periphery is not the only part of the world capitalist economy containing a latent reserve army of labour. The necessary cost of the production of labour power varies in different parts of the world economy, resulting in variations in the cost of labour power in different regions. The level of wages is a crucial factor in the decision about where to locate exported capital and, as another OECD study reported (1979: 37–8; see also Hiemenz and Schatz, 1979):

. . . private investment, the primary concern of which is not employment generation, will follow the rules of the market flowing to projects in areas where positive returns are highest.

In other words, whether or not people are recruited into wage labour is always subordinate to profit and for this reason alone, capital export to the periphery of Western Europe may not be extensive (Paine, 1979) because cheaper labour can be recruited elsewhere. There is good evidence to show that parts of Africa, SE Asia and South America are being chosen as the sites for this export of capital which is to be combined with large quantities of semi-skilled labour (see Frobel et al, 1980; for a critique, see Jenkins, 1984). Significantly, women are over-represented amongst those employed as semi- and unskilled manual labour in the factories supplying the world market (e.g. Hancock, 1983; Elson & Pearson, 1981; Sassen-Koob, 1984; Armstrong & McGee, 1975: 202–17). This new international division of labour carries the implication that semi- and unskilled positions in manufacturing within Western Europe will decline relatively or perhaps absolutely in the future. But it does not follow that all semi- and unskilled positions will be eliminated from Western European capitalist economies, if only because not all sectors and processes employing such labour can be exported. As examples, one can cite the construction industry and the wide range of service industries.

The first implication of these three developments is that migrant workers have been further divided into two distinct groups, those whose labour power is retained because they remain in key sectors (and these constitute the majority) and those who are expelled into the floating reserve army of labour. The second implication is that the latter group may not easily find a new buyer for their labour power. This problem of access to wage labour is also faced by the spouses and children of migrant workers following family reunification. Some Western European states have responded to this by attempting to prevent or delay, by legal measures, spouses and children entering the labour market and by establishing procedures whereby their own citizens have priority in access to jobs that become vacant. The extent to which this has occurred and the measures adopted vary considerably (e.g. Dohse, 1982: 23–35; Smolders, 1982: 94–5; Thomas, 1983b, 51). Yet, they have also recognised the potential for conflict that arises from widespread and long-term unemployment of people that have a legal right of residence in Western Europe. Particular attention is being given to the position of children of migrant families. The problem tends to be viewed in the first instance simply as a numerical one (OECD, 1983: 7):

Four and a half million foreigners under the age of 25 live in eight European Member countries that traditionally host migrant workers. Half to three-quarters of them were born in the country where their parents work; and because of family reunification schemes that bring in many more children at a young age, an even higher share – some 75 to 90 per cent – of foreign-origin youth are receiving all their education in the host country and have little or no experience of any other country.

Throughout Western Europe the position of the 'second-generation' is much the same. These young people are over-represented in sectors of education involving the shortest time at school and leading to mainly manual work similar to that of their parents; are, where employed, predominantly engaged in manual work; and are more likely to be unemployed (OECD, 1983: 16–17).

Western European states have reproduced the idea that there is a 'second generation' problem and have begun to formulate an 'integration' policy to solve it. Such a policy reflects the particular way in which the problem is defined. Poor educational performance is usually explained as being the result of alleged limitations of the children's cultural background and of the lack of family support, and is in turn regarded as being the cause of restriction to manual work or of unemployment. The explanation for failure is therefore located within the culture of the migrant population and a solution is sought in trying to ensure that migrants' children have a strong and positive identity which is at least partially derived from the country of their parents' origin.

Such explanations ignore the major impact of processes of exclusion practised by the state, within the education system and by employers. The influence of racism is either ignored (e.g. OECD, 1983) or considered to be of secondary importance. Some form of discrimination is necessary because the Western European capitalist economies are currently unable to offer a job to all those people who live within them and because there is a hierarchy of work whereby semi- and unskilled positions offering low wages remain to be filled by someone. Put another way, the problem is not the absolute numbers of the so-called 'second generation' but rather the inability of the capitalist mode of production in Western Europe to either fully utilise the labour power of migrants' children (and many others) or to utilise it in the same way as the labour power of the children of the indigenous population. At best, policies of integration can do no more than attempt to create the conditions under which the children of migrant workers can

compete on more equal terms with the children of indigenous workers for an insufficient number of hierarchically organised jobs. They do nothing to increase the number of jobs, nor to level the hierarchy and so some mechanism of discrimination must continue to be employed. Integration policies fail to challenge racism which remains an ideal means to effect the exclusion that is necessary.

There is no doubt that racist ideas and practices expressive of racism have become more widespread in Western Europe since the early 1970s. Yet it is misleading to analyse this as the outcome of a ruling class strategy to divert the otherwise 'natural' course of the class struggle by dividing the working class. Racism is certainly a divisive ideology but the divisions and conflicts that arise from its articulation are not necessarily 'functional' for capital, or even particular fractions of capital. Neither conflict on the factory floor which interrupts production nor within the city which leads to the destruction of property necessarily result in obvious benefits to the ruling class and, indeed, can have definite negative consequences. This was recognised in an OECD report which commented on the consequences of the permanent settlement of migrant workers and their families (1979: 30): 'Social tension can completely reverse net economic profits and turn them into net social losses'. If the role of the state is to secure the conditions of continued capital accumulation, then it follows that it is required to manage the political and ideological crisis insofar as it problematises the position of migrant workers and their families. It is a role that requires the state to confront the implications and effects of its own interventions, as well as the reproduction of racism within the working class.

The crisis of capital accumulation and profitability has repercussions within political and ideological relations. The ruling classes of the various Western European states have responded to this crisis by, *inter alia*, permitting and encouraging mass unemployment and by restricting state expenditure. Both require ideological legitimisation, not least because of the earlier political commitment to full employment and state welfare expenditure during the long boom. Consequently, welfare cuts and mass unemployment are defended as being necessary in order to regenerate the economy and so establish a firm foundation for the future survival of the 'imagined community' (Anderson, 1984) that is the nation. Such an ideological message not only justifies sacrifice for the greater national good, but is also intended to subordinate class consciousness and class struggles to nationalism. This ideological offensive has a dialectical relationship with

Managing the ideological crisis

ideological reactions within the working class insofar as defensive solutions are adopted to deal with the threat of unemployment and declining wages. These take various forms, but all have in common the idea that where resources are in short supply, there must be a hierarchy of need established so that certain groups have priority access to them. Various ideologies are employed to legitimate an unequal allocation of diminishing resources, one of which is racism.

This occurs in a context where, as we have seen, the shift in the direction of permanent settlement of a large proportion of migrant workers and their families has increased the necessary cost of the migrants' labour power. Moreover, settlement has increased cultural diversity within the 'imagined community'. The former has increased state expenditure, relatively if not absolutely, in a period of crisis while the latter has become a symbol of internal cultural fragmentation. Sections of the working class have identified the migrant presence not only as illegitimate competition in the struggle for access to scarce resources but also as a threat to the cultural homogeneity that is considered to be the binding force for the cohesion of the 'imagined community'. In this, they are encouraged not only by extreme right-wing forces and the re-emergence of fascist parties, but also by the reluctance of the state to redefine the legal status of a large proportion of the migrants so that they become full citizens. Concerning the former, the role of and support for fascist parties during the 1970s in Britain is well known (e.g. Fielding, 1981; Husbands, 1983; Miles & Phizacklea, 1984: 118–35). In France, increasing electoral support for fascism is a more recent phenomenon and, as in Britain, is connected with an increasing level of racist violence (Anon, 1984; for West Germany, see Castles et al, 1984: 190–212).

The consequence has been the ideological construction of the 'foreigner problem' throughout Western Europe. The particularity of the discourse varies from one nation-state to another. In Britain, for a complex of reasons, but not least because Caribbean and Asian migrants and their children were, up to 1962, legally British citizens with the right of entry and settlement, the same political process has led to the ideological construction of a 'race problem' (see Miles & Phizacklea, 1984; Miles, 1984; Miles & Dunlop, 1986). In France, where both colonial and contract migrants have been recruited on a large scale, the ideological constructions are more complex (Grillo, 1985). What all constructions have in common is that the legitimacy of the presence of these people within the 'imagined community' becomes the focus of political debate. Moreover, certain political forces suggest that the migrant presence threatens the supposed cultural homo-

geneity of the population within the nation-state and utilises resources which should be allocated to 'our own people'. Both constructions involve a complex articulation between racism and nationalism (cf. Miles, 1985b). When the political problem is articulated in this manner, the logical conclusion is that at least a proportion of the migrant population should be 'encouraged' to return to 'their own country'. This has become an issue on the political agenda and certain Western European states have initiated or have attempted to initiate an expulsion or 'repatriation' policy for a proportion of the migrant population lacking full civil rights.

'Repatriation' proposals have taken different forms but policies have not aimed so far at forced, mass expulsions. Rather, 'repatriation' schemes focus, in practice, on only a particular fraction of migrant workers. Prior to the 1973 crisis, various proposals were articulated but not implemented. In Switzerland, the state has regularly organised referenda since the mid-1960s on the question of the desirability of the expulsion of migrant workers, but these have produced small majorities against the proposal and so the state has not intervened (Hoffman-Novotny & Millias, 1979: 55-8). In the Netherlands in 1974, the government proposed a reintroduction of the rotation principle whereby migrant workers would commit themselves to a stay of two years, after which they would return to their country of origin. Upon departure, the worker would receive Dfl. 5,000. There was widespread opposition to this proposal and it was never implemented (Bovenkerk, 1979: 129-30). The development of the economic crisis and the further rightward drift since then have increased the pressure to implement similar policies and, elsewhere in Western Europe, certain steps in this direction have been taken.

In France, a scheme to assist the return of migrant workers and their families was established in 1977. It applies to all migrant workers who have been employed for a minimum of five years, and spouses and children are included in the scheme. Where an application is accepted, both worker and spouse receive FF5,000. A special record system has been established to ensure that those who have been accepted for assistance for a return to the country of origin do not later return (Thomas, 1982b). Additional schemes have been formulated in the light of the industrial conflict that erupted at Talbot-Poissy in France in 1983/84 (see *Travail*, 1983, no. 2/3). The Peugeot PA company announced a large number of redundancies at its production plant at Poissy in July 1983 as part of a plan to increase productivity by replacing labour power with new machinery (Picciotto, 1984: 5-7). A large proportion of the jobs to be eliminated were semi-skilled and they were held by migrant workers. A split emerged amongst the workforce over

the reaction to the management demand and the resulting conflict exposed a strong current of racism amongst the indigenous workforce (Howe, 1984: 9–15). One outcome of the conflict was an offer by the French government in April 1984 that unemployed workers could receive cash payments if they agreed to return to their country of origin.

In West Germany, the drift towards 'repatriation' was facilitated by the election of a liberal/conservative coalition government in 1982. The main party in the coalition, the Christian Democrats, made 'repatriation' a major theme in its election campaign and, after the election victory, announced its intention to reduce the 'foreign' population by a half (Castles, 1983). In November 1983, *Das Gesetz zur Förderung der Rückkehrbereitschaft von Anständern* came into effect which offered to certain migrant workers cash sums if they and their families left West Germany by 30 September 1984 (*Times*, 24.1.85). Those eligible had to have been employed in a factory or a section of a factory which had ceased operation or to have been working on short time for at least six months. The financial incentive was payment of a sum of DM10,500 plus DM1,500 per child, plus the repayment of employee pension and insurance contributions (but not the payment of employers' contributions). How effective this has been is difficult to assess because, although the total 'foreign' population has declined, other influences have been at work, notably the increased level of racist agitation.

These policies indicate that the Western European states are willing to encourage a section of the migrant population to return to their country of origin in the current crisis. Such action legitimates the demands of far-right and fascist groups who call for mass, forced expulsions and who are often engaged in violence against the migrant population. Combined with the fact that the state retains wide powers of deportation over even migrants with the right of permanent settlement, migrant workers and their families occupy a distinct political position because of their legal status as non-citizens. Moreover, despite the ban on the entry of migrants for the purposes of work, the state is left with the responsibility of administering the entry of family dependants, but in circumstances where there is an explicit political commitment to at least keeping to a minimum the number of new entrants, if not to some form of 'repatriation'. The consequence of this contradiction is a complex system of rules which often have the effect of denying entry to people who have a right to do so, or even of withdrawing that right by means of discriminatory legislation (e.g. for Britain, see WING, 1985). Whichever is the case, migrants and/or their families occupy an inferior position in legal relations.

Nevertheless a large proportion of migrants have become in effect permanent settlers. Moreover, as I have previously shown, this has happened because migrant workers constitute a significant proportion of the employed working class in Western Europe. This constitutes a major obstacle to the implementation of a policy of forced mass 'repatriation', despite the increased cost to the state of permanent settlement, because not only would very large numbers of people have to be expelled, but they would also have to be replaced by indigenous workers willing to accept semi- and unskilled manual jobs paying low wages. Thus, for economic reasons, racism has to be at least partially contained. The labour power of migrants remains essential to the process of capital accumulation. Moreover, the 'war against facism' of 1939-45 requires a continuing explicit commitment against racism, let alone humanitarian considerations, while racism which leads to social disorder on a widespread basis brings both economic costs and political problems. The Western European states therefore have to manage racism, and this means simultaneously containing and yet conceding to it.

The problem of management is intensified by the political struggles of migrant workers themselves (Miller, 1981). Although contract migrant workers are denied the civil rights of nationals, they normally have rights of trade union membership and of membership of certain political and community organisations (see Minet, 1978; Schmitter, 1980), and these assist the development of such struggles. Moreover, because a proportion of migrants have become, in effect, a permanent addition to the European working class, there is a struggle to gain the full rights of citizenship. In the context of the current political crisis, this is unlikely to achieve major success because the migrant population remains a convenient object of ideological debate for sections of the ruling class who wish to retain the option of a large-scale 'repatriation' if the political and economic situation were to deteriorate further. Moreover, sections of working-class opinion continue to agitate on the theme of migrants as illegitimate competitors for scarce resources, drawing on racist ideology to legitimate their claims. The conflicting political pressures are illustrated by events in France where, in April 1985, the President suggested that migrant workers should eventually receive the right to vote in local elections, and in May 1985, migrants in a suburb of Lille voted to elect three delegates to represent their interests in council debates and committee proceedings but without the right to vote. In the case of the latter the extreme right-wing National Front responded by organising a protest demonstration (*Times*, 21.5.85).

Overall, migrant workers and their families remain in an

exposed and vulnerable position within political relations, and where migrant workers are expelled from wage labour, their political and legal position becomes more uncertain. In sum, insofar as their labour power continues to be purchased by capital as the economic crisis continues, the position of migrant workers in Western Europe remains relatively secure, even if they also constitute the object of continuing agitation, while those who are expelled from the labour process will continue to face a more insecure position as the state attempts to retain political domination over the working class as a whole by the manipulation of nationalist ideology and by demands for cultural homogeneity.

Conclusion

An essential defining feature of the capitalist mode of production is that labour power is a commodity which circulates in a market (e.g. Marx, 1976: 716, 724, 1005–6). Thus, because the capital accumulation process involves an ever-increasing concentration and circulation of capital, and insofar as sections of the world economy retain non-capitalist modes of production and more labour power is drawn into contact with capital, the former must be accompanied by a spatial migration of prospective and actual wage labourers. It is therefore significant that Marx illustrated his discussion of the law of capital accumulation by reference to the migration of parts of the Irish population to Britain in the nineteenth century. In other words, Marx's law of accumulation presumes a process of labour migration. The explicit formulation of a theory about the latter has not been a priority on the Marxist agenda, even though the production, reproduction and circulation of labour power is an essential feature of the capitalist mode of production. However, recognition of the economic and political significance of labour migration into the capitalist mode of production in Western Europe has stimulated theoretical work in the recent past (e.g. Meillassoux, 1981). Further theorisation should note three points which arise from this overview of the history of labour migration into Western Europe since 1945.

First, functionalist accounts and explanations of labour migration (Nikolinakos, 1975) cannot account for the complexity of the labour migration process. Sections of capital and the state in Western European formations believed that a contract labour system would realise their need for a flexible addition to the working class, and some Marxist accounts articulated the same assumption. In so doing, the latter neglected the dialectical method and failed to analyse the production and circulation of labour power as a contradictory phenomenon. When the latter is recognised, it becomes possible to explain the transition from a contract labour system to permanent settlement of migrants and

their families, and the contradictions that arise from that.

Racism is one moment in this set of contradictions. Hence, and second, racism is also better understood as a contradictory phenomenon. Rather than analyse racism as functional to capital, the historical evidence leads to the conclusion that its articulation and consequences for capital and for other classes are historically and structurally contingent. Thus, although employers in Western Europe utilise racist categories to determine the composition of their workforces (often with the support of trade unions), conflict arising from the articulation of racism within the workforce can reduce the productivity of labour power. Similarly, although Western European states use racist categories in the determination of migration policies, racist agitation and economic exclusion within the social formation lead to political conflict and violence which threaten the maintenance of a 'stable society' and hence the optimum conditions for capital accumulation. Both instances of contradiction require mediation by state and capital.

Third, I comment on the interrelationship between the concepts of migrant labour and reserve army of labour in the light of both the evidence surveyed above and the debate about women as a reserve army of labour (Beechy, 1977; Bruegel, 1979; Anthias, 1980). The latter debate has highlighted the need for a greater precision in the use of the concept of reserve army of labour, yet its significance for the concept of migrant labour has not been adequately clarified. Lever-Tracey has begun this task by correctly arguing that migrant labour cannot be viewed as a reserve army of labour when it can be shown that migrant workers 'are involved directly in producing surplus value rather than in regulating the overall level of wages or in carrying the fluctuations and uncertainties of the system' (1983: 127), but her conclusion remains flawed.

Anthias (1980: 51–3) and Lever-Tracey (1983: 128) both point out that Marx's concept of reserve army of labour refers only to that section of active labour that is expelled from capitalist production or that potential labour force that is outside the capitalist mode of production. Anthias correctly concludes (1980: 51, 55) that Marx's concept does not refer, therefore, to the particular groups of people who constitute the reserve army of labour because this is a matter which can only be determined by an analysis of a social formation at a particular conjuncture. But what is additionally revealed, although not clearly articulated, in Anthias's argument is that the claim that women constitute a reserve army of labour is also flawed because there is no homogeneous group of human subjects identified by the category of women (see 1980: 56, 59). This is not to deny that women are subject to particular processes of exclusion which are not experi-

enced by men, but it is to claim that the effectivity and consequences of those processes are not homogeneous for all women. Thus, as Bruegel has shown (1979), women employed in certain sectors of services have not been disproportionately expelled from the labour process whereas women employed in manufacturing have. The analysis above demonstrates the significance of this point as applied to the category of migrant worker. All migrant workers share the characteristic of having been spatially mobile in the search for wage labour but this does not by itself pre-determine the same outcome for all of them. As we have seen, in Western Europe, some migrant workers have become integral to the accumulation process through the continuing sale of their labour power while others may also be integral by remaining part of the reserve army of labour within Western Europe.

Thus, the general claim that migrant labour constitutes a reserve army of labour is mistaken not only because of a misunderstanding about Marx's concept of reserve army of labour but also because the category of migrant labour, when employed to analyse particular conjunctures rather than the capitalist mode of production in general, is used in a way which presumes an homogeneity of the 'agents' that migrate and the positions that they fill. This is evident in the original formulation of the thesis by Castles and Kosack when they claimed that the 'unemployed masses of (Southern Europe and the Third World) form a . . . reserve army' (1972: 5-6). As various studies have shown (Paine, 1974: 80-5; Baučić, 1972: 8), many migrant workers, prior to migration to Western Europe, were not only wage labourers but were also in skilled manual and even non-manual work and therefore cannot be considered to have been part of a reserve army of labour. Such migrants were already sellers of their own labour power who were doing no more than responding 'rationally' to the internationalisation of the labour market. It is therefore mistaken to conceive of the labour demand of Western European capital being met from a single source of unemployed or peasant producers who were outside the capitalist mode of production prior to migration. Ironically, Lever-Tracey makes the opposite mistake when she claims that all migrant workers constitute a fraction of the core of the working class. Having correctly criticised the conception of migrant labour as a reserve army, she mistakenly treats migrants as a homogeneous category of labour 'in the front line'. As I have shown, the evidence demonstrates that certain categories of migrant workers are now over-represented in the expansion of the reserve army of labour within Western Europe. In sum, as Anthias points out, 'within the framework of Capital, the abstract labourer is neither male nor female, young nor old, etc.' (1980: 52) and this applies equally to the abstract category of

migrant labour. Accordingly, when we apply the category of migrant labour to particular social formations in particular conjunctures, we should take greater care to analyse the complexity and the particularity of the structural process that lead certain 'agents' to become migrants and which place them in varying positions in a changing set of economic, political and ideological relations.

Acknowledgements

I would like to thank the referees of *Capital and Class* for their constructive suggestions regarding an earlier draft of this paper and Annie Phizacklea for advice concerning particular sections of this paper.

- Van Amersfoort, H., Muns, P. & Penninx, R. (1984) 'International Migration, the Economic Crisis and the State: An Analysis of Mediterranean Migration to Western Europe', *Ethnic & Racial Studies*, 7(2), 238–68.
- Anderson, B. (1984) *Imagined Communities*, London, Verso.
- Anon. (1984) 'Racism and Immigration in France', *Race and Immigration*, No. 170, 8–15.
- Anthias, F. (1980) 'Women and the Reserve Army of Labour: A Critique of Veronica Beechey', *Capital and Class*, 18, 50–63.
- Anthias, F. (1983) 'Sexual Divisions and Ethnic Adaptation: the Case of Greek-Cypriot Women' in A. Phizacklea, ed., *One-Way Ticket*, London, Routledge and Kegan Paul.
- Armonstrong, P. et al. (1984) *Capitalism Since World War II: The Making and Break-up of the Great Boom*, London, Fontana.
- Armstrong, W. & McGee, T.G. (1985) *Theatres of Accumulation: Studies in Latin American Urbanisation*, London, Methuen.
- Baučić, I. (1972) *The Effects of Emigration from Yugoslavia and the Problems of Returning Emigrant Workers*, The Hague, Martinus Nijhoff.
- Beechey, V. (1977) 'Some Notes on Female Wage Labour in Capitalist Production', *Capital and Class*, 3, 45–66.
- Bohning, W.R. (1974) 'Immigration Policies of Western European Countries', *International Migration Review*, 8(2), 155–63.
- Bohning, W.R. (1984) *Studies in International Labour Migration*, London, Macmillan.
- Boissevain, J. (1984) 'Small Entrepreneurs in Contemporary Europe', in R. Ward & R. Jenkins, eds, *Ethnic Communities in Business*, Cambridge, Cambridge University Press.
- Booth, H. (1984) *Guestworkers or Immigrants? A Demographic Analysis of the Status of Migrants in West Germany*, Birmingham, ESRC Research Unit on Ethnic Relations.

Bibliography

- Bourguignon, F., Gallais-Hamonno, G. & Fernet, B. (1977) *International Labour Migrations and Economic Choices: the European Case*, Paris, OECD.
- Bovenkerk, F. (1979) 'The Netherlands' in R.E. Krane, ed., *International Labour Migration in Europe*, New York, Praeger.
- Brooks, D. (1975) *Race and Labour in London Transport*, London, Oxford University Press.
- Bruegel, I. (1979) 'Women as a Reserve Army of Labour: a Note on Recent British Experience', *Feminist Review*, 3, 12–23.
- Brusco, S. (1982) 'The Emilian Model: Productive Decentralisation and Social Integration', *Cambridge Journal of Economics*, 6, 167–84.
- Burawoy, M. (1976) 'The Functions and Reproduction of Migrant Labour', *American Journal of Sociology*, 81(5), 1051–87.
- Carchedi, G. (1979) 'Authority and Foreign Labour: Some Notes on a Late Capitalist Form of Capital Accumulation and State Intervention', *Studies in Political Economy*, 2, 37–74.
- Castles, S. (1983) 'West German Government Plans Mass Repatriation', *Searchlight*, 97, 17–18.
- Castles, S. & Kosack, G. (1972) 'The Function of Labour Immigration in Western European Capitalism', *New Left Review*, 73, 3–21.
- Castles, S. & Kosack, G. (1973) *Immigrant Workers and Class Structures in Western Europe*, London, Oxford University Press.
- Castles, S. et al. (1984) *Here for Good: Western Europe's New Ethnic Minorities*, London, Pluto Press.
- Couper, K. & Santamaria, U. (1984) 'An Elusive Concept: The Changing Definition of Illegal Immigrant in the Practice of Immigration Control in the United Kingdom', *International Migration Review*, 18(3), 437–52.
- Cross, G.S. (1983) *Immigrant Workers in Industrial France*, Temple University Press.
- Daniel, W.W. (1967) *Racial Discrimination in England*, Harmondsworth, Penguin.
- Deakin, N. (1970) *Colour Citizenship and British Society*, London, Panther.
- Debbant, H. & Declerck, T. (1982) 'The Status of Immigrant Workers in Belgium', in E.J. Thomas, ed., *Immigrant Workers in Europe: Their Legal Status*, Paris, UNESCO.
- Dohse, K. (1981) *Ausländische Arbeiter und Bürgerliche Staat*, Königstein, Hain.
- Dohse, K. (1982) *Foreign Workers in the Federal Republic of Germany: Governmental Policy and Discrimination in Employment*, Berlin, Wissenschaftszentrum.
- Elson, D. & Pearson, R. (1981) '“Nimble Fingers Make Cheap Workers”: An Analysis of Women's Employment in Third World Export Manufacturing', *Feminist Review*, 7, 87–107.
- European Communities Commission (1975) *Freedom of Movement for Workers Within the Community: Official Texts*, Brussels, EEC.
- Fevre, R. (1984) *Cheap Labour and Racial Discrimination*, Aldershot, Gower.
- Fielding, N. (1981) *The National Front*, London, Routledge and Kegan Paul.
- Foner, N. (1979) *Jamaica Farewell*, London, Routledge and Kegan Paul.
- Freeman, G.P. (1979) *Immigrant Labour and Racial Conflict in Industrial*

- Societies: The French and British Experience, 1945–1975*, Princeton University Press.
- Frobel, F., Heinrich, J. & Kreye, O. (1980) *The New International Division of Labour*, Cambridge, Cambridge University Press.
- Gorz, A. (1970) 'Immigrant Labour', *New Left Review*, 61, 28–31.
- Green, N. (1985) '“Filling the Void”: Immigration to France before World War I' in D. Hoerder, ed., *Labor Migration in the Atlantic Economies in the Period of Industrialisation*, Westport (Conn.), Greenwood Press.
- Grillo, R.D. (1985) *Ideologies and Institutions in Urban France: the Representation of Immigrants*, Cambridge, Cambridge University Press.
- Groenendijk, K., van Groenendaal, T., Havinga, T. & van der Vaart, A. (1984) 'De Betekenis van Rechtsregels bij Collectief Ontslag', *Nieuwsbrief Nederlandstalige Rechtssociologen*, 163–84.
- Hancock, M. (1983) 'Transnational Production and Women Workers', in A. Phizacklea, *op. cit.*
- Hiemenz, U. & Schatz, K.W. (1979) *Trade in Place of Migration*, Geneva, International Labour Office.
- History Task Force (1979) *Labour Migration Under Capitalism: The Puerto Rican Experience*, New York, Monthly Review Press.
- Hoel, B. (1982) 'Contemporary Clothing Sweatshops', in J. West, ed., *Women and the Labour Market*, London, Routledge and Kegan Paul.
- Hoffman-Nowotny, H.J. (1974) 'Immigrant Minorities in Switzerland: Sociological, Legal and Political Aspects', in M. Archer, ed., *Current Research in Sociology*, The Hague, Mouton.
- Hoffman-Nowotny, H.J. & Killias, M. (1979) 'Switzerland', in R.E. Krane, ed., *International Labour Migration in Europe*, New York, Praeger.
- Howe, D. (1984) 'Black Workers Break the French Mould', *Race Today*, April/May, 9–15.
- Husbands, C.T. (1983) *Racial Exclusionism and the City: The Urban Support of the National Front*, London, George Allen & Unwin.
- Humes, I.M. (1973) 'Migrant Workers in Europe', *Finance and Development*, 10, 2–6.
- Jenkins, R. (1984) 'Divisions Over the International Division of Labour', *Capital and Class*, 22.
- Jessop, B. (1983) *The Capitalist State: Marxist Theories and Methods*, Oxford, Martin Robertson.
- Kraus, R. (1983) 'Asylum Seekers in the Federal Republic of Germany. Analysis of the Situation – Elements of a Solution', *International Migration*, 21(2), 230–7.
- Kudat, D. (1979) 'Turkey', in D. Kudat, ed., *The Politics of Migration Policies*, New York, Centre for Migration Studies.
- Lever-Tracey, C. (1983) 'Immigrant Workers and Postwar Capitalism: In Reserve or Core Troops in the Front Line?', *Politics and Society*, 12(2), 127–57.
- Mandel, E. (1980) *Long Waves of Capitalist Development: The Marxist Interpretation*, Cambridge, Cambridge University Press.
- Marshall, A. (1973) *The Import of Labour: The Case of the Netherlands*, Rotterdam, Rotterdam University Press.
- Marx, K. (1969) *Theories of Surplus Value, Part 2*, London, Lawrence &

Wishart.

- Marx, K. (1973) *Grundrisse*, Harmondsworth, Penguin.
- Marx, K. (1976) *Capital*, Vol. 1, Harmondsworth, Penguin.
- Mayer, K.B. (1965) 'Post-war Immigration in Switzerland', *International Migration*, 3(3), 122-32.
- McDonald, J.R. (1969) 'Labour Immigration in France, 1946-1965', *Annals of the Association of American Geographers*, 59(1), 116-34.
- Meillassoux, C. (1981) *Maidens, Meal and Money: Capitalism and the Domestic Economy*, Cambridge, Cambridge University Press.
- Miles, R. (1982) *Racism and Migrant Labour*, London, Routledge and Kegan Paul.
- Miles, R. (1984) 'The Riots of 1958: The Ideological Construction of "Race Relations" as a Political Issue in Britain', *Immigrants and Minorities*, 3(3), 252-75.
- Miles, R. (1985a) *The Relative Autonomy of Ideology: Racism and the Migration of Labour to Britain since 1945*, Paris, Grami, Document de Travail No. 7.
- Miles, R. (1985b) 'Recent Marxist Theories of Nationalism and the Issue of Racism', Paper presented to International Sociological Association colloquium at the University of Belgrade, September.
- Miles, R. (1987) *Anomaly or Necessity? Capitalism and Unfree Labour*, London, Tavistock.
- Miles, R. & Dunlop, A. (1986) 'Racism in Britain: Why Scotland is Different', Paper presented to the Colloque de l'Association Française des Anthropologues, Paris 9-11 January.
- Miles, R. & Phizacklea, A. (1984) *White Man's Country: Racism in British Politics*, London, Pluto Press.
- Miller, M.J. (1981) *Foreign Workers in Western Europe: An Emerging Political Force*, New York, Praeger.
- Minet, G. (1978) 'Spectators or Participants? Immigrants and Industrial Relations in Western Europe', *International Labour Review*, 117(1), 21-35.
- Mitter, S. (1986) 'Industrial Restructuring and Manufacturing Homework: Immigrant Women in the UK Clothing Industry', *Capital and Class*, 27, 37-80.
- Morokvasic, M. (1983) 'Women in Migration: Beyond the Reductionist Outlook', in A. Phizacklea, *op. cit.*
- Morokvasic, M. (1984) 'Birds of Passage are also Women . . .' *International Migration Review*, 1984, 18(4), 886-907.
- Nokolinakos, M. (1975) 'Notes Towards a General Theory of Migration in Late Capitalism', *Race and Class*, 17(1), 5-18.
- OECD (1979) *Migration, Growth and Development*, Paris, OECD.
- OECD (1983) *Migrants' Children and Employment: The European Experience*, Paris, OECD.
- Paine, S. (1974) *Exporting Workers: The Turkish Case*, Cambridge, Cambridge University Press.
- Paine, S. (1979) 'Replacement of the Western European Migrant Labour System by Investment in the European Periphery', in D. Seers et al, eds., *Under-developed Europe: Studies in Cost-Periphery Relations*, Sussex, Harvester Press.
- Peach, C. (1969) *West Indian Migration to Britain*, London, Oxford University Press.
- Penninx, R. (1984a) *Migration, Minorities and Policy in the Netherlands*:

- Recent Trends and Developments*, Risjwijk, Ministry of Welfare, Public Health and Cultural Affairs.
- Penninx, R. (1984b) *Immigrant Populations and Demographic Development in the Member States of the Council of Europe, Part I: Analysis of General Trends and Possible Future Developments*, Strasbourg, Council of Europe.
- Phizacklea, A., ed. (1983a) *One-Way Ticket: Migration and Female Labour*, London, Routledge and Kegan Paul.
- Phizacklea, A. (1983b) 'In the Front Line', in A. Phizacklea, *op. cit.*
- Phizacklea, A. (1985) 'Minority Women and Restructuring: the case of Britain, France and the Federal Republic of Germany', Paper presented to a Conference at the Centre for Research on Ethnic Relations on 'Racial Minorities, Economic Restructuring and Urban Decline', September.
- Phizacklea, A. & Miles, R. (1980) *Labour and Racism*, London, Routledge and Kegan Paul.
- Picciotto, S. (1984) 'The Battles at Talbot-Poissy: Workers Divisions and Capital Restructuring', *Capital and Class*, 23, 5-17.
- Rhoades, R.E. (1978) 'Foreign Labour and German Industrial Capitalism 1871-1978: the Evolution of a Migratory System', *American Ethnologist*, 5(3), 553-73.
- Rist, R.C. (1978) *Guestworkers in Germany: The Prospects for Pluralism*, New York, Praeger.
- Salt, J. & Clout, H., eds (1976) *Migration in Post-War Europe*, London, Oxford University Press.
- Sassen-Koob, S. (1978) 'The International Circulation of Resources and Development: The Case of Migrant Labour', *Development and Change*, 9, 509-45.
- Sassen-Koob, S. (1981) 'Towards a Conceptualisation of Immigrant Labour', *Social Problems*, 29(1), 65-85.
- Sassen-Koob, S. (1984) 'Notes on the Incorporation of Third World Women in Wage Labour Through Immigration and Off-shore Production', *International Migration Review*, 1984, 18(4), 1144-1167.
- Schectman, J.B. (1962) *Postwar Population Transfers in Europe 1945-1955*, Philadelphia, University of Pennsylvania Press.
- Schmitter, B. (1980) 'Immigrants and Associations: Their Role in the Socio-Political Process of Immigrant Worker Integration in West Germany and Switzerland', *International Migration Review*, 14(2), 179-92.
- Schmitter, B.E. (1983) 'Immigrant Minorities in West Germany: Some Theoretical Concerns', *Ethnic and Racial Studies*, 6(3), 308-19.
- Singer-Kerel, J. (1980) 'Foreign Labour and the Economic Crisis: The Case of France', Paper presented to *European Science Foundation Workshop on Cultural Identity and Structural Marginalisation of Migrant Workers*.
- Singer-Kerel, J. (1986) 'La Population Etrangers Dans les Recensements de 1891 à 1936', Paper presented to the Colloque de L'Association Française des Anthropologues, Paris, 9-11 January.
- Solinas, G. (1982) 'Labour Market Segmentation and Workers' Careers: The Case of the Italian Knitwear Industry', *Cambridge Journal of Economics*, 6, 331-52.
- Smith, D. (1977) *Racial Disadvantage in Britain*, Harmondsworth,

Penguin.

- Smolders, C. (1982) 'The Status of Immigrant Workers in the Netherlands', in E.J. Thomas, ed., *Immigrant Workers in Europe: Their Legal Status*, Paris, UNESCO.
- Standing, G. (1981) 'Migration and Modes of Exploitation: Social Origins of Immobility and Mobility', *Journal of Peasant Studies*, 8, 173–211.
- Tannahill, J.A. (1968) *European Volunteer Workers in Britain*, Manchester, Manchester University Press.
- Thomas, E.J. ed. (1982a) *Immigrant Workers in Europe: Their Legal Status*, Paris, UNESCO.
- Thomas, E.J. (1982b) 'Immigrant Workers in France', in E.J. Thomas, ed., *op. cit.*
- Trindade, M.B.R. (1979) 'The Iberian Peninsular', in D. Kudat, ed., *The Politics of Migration Policies*, New York, Centre for Migration Studies.
- Tuppen, J.N. (1978) 'Geographical Appraisal of Trans-frontier Commuting in Western Europe: The Example of Alsace', *International Migration Review*, 12, 385–405.
- United Nations (1964) *Some Factors in Economic Growth in Europe during the 1950s*, Geneva, United Nations.
- United Nations (1979) *Labour Supply and Migration in Europe: Demographic Dimensions 1950–1975 and Prospects*, New York, United Nations.
- WING (1985) *World's Report: Women Under Immigration and Nationality Law*, London, Pluto Press.
- WRR (1979) *Ethnic Minorities*, The Hague, WRR.

Nira Yuval-Davies

Ethnic/racial divisions and the nation in Britain and Australia

This article links concepts of racism, ethnicity and nationalism and compares the way they have changed in post-war Britain and Australia. It argues that racism is the result of dominant ethnic structures in the definition of a nation's collectivity which determine those within and outside its boundary. Only in the context of understanding these links and the shifts in the construction of national collectivities which are the result of changing economic and political forces can effective anti-racist policies and struggles be developed. 87

88 THIS ARTICLE examines some of the links between the major ethnic/racial divisions in Britain and Australia and the ways in which the boundaries of nationality and collectivity are constructed in these two countries. National, ethnic and racial divisions tend to be treated separately and in isolation from each other, if not actually treated as mutually invalidating theoretical constructs. This article should be seen as a statement arguing for the need, both theoretical and political, to develop further the analysis of the interrelationships between them as well as with the economic and political context in which they are embedded. It will be argued that national, ethnic and racial divisions are not mutually exclusive categories although the linkages between them can be complex and are historically specific. Racism in Britain, as well as in Australia, cannot be fully understood unless it is located as a central dimension of a dominant 'Anglomorph' ethnicity constructed around the rise and fall of British imperialism, enmeshed, but not reducible to, international and national divisions of labour. At the same time, racism in both countries cannot be fully understood, unless black/white divisions are seen only as an historically specific instance in which certain ethnic divisions have been transformed into racial ones – as the Australian case study shows even more clearly than the British one.

A comparison between ethnic/racial divisions and the nation in Britain and Australia is not a comparison between two incidental societies arbitrarily picked. These two societies are linked not only historically and formally today by Australia being part of the Commonwealth. They are also linked by the way the Anglo-morph, or to use the more accurate Australian term, Anglo-Celtic ethnicity, comprises the heart of the nationalist ideologies which are part of the hegemonic

power structures in both countries. *Searchlight* (London, March 1985) reported recently that car stickers distributed in Australia as part of the racist campaign against (South Eastern) Asian immigration (popularised and legitimised to a great extent by Prof. Blainey of Melbourne University),¹ accuse the government policies of being 'anti-British' (rather than anti-Australian or anti-white). Not that in order to be British or English in Australia one always has necessarily to be so. As Prof. Knopfmacher, one of the voices against both Blainey-type racism and multiculturalist policies in Australia, insists: 'With Anglomorph firmly established in Australia and stable as a rock, the "British" character of the country is independent of the "race" of the immigrants' (*The Age*, Melbourne, 31/5/84). Or is it? The debate around this question will be one of the issues to be discussed in this paper.

The historical and ideological links between the two countries, however, should not obscure the very real differences between the national and social formations in the two countries and consequently the ways these affect ethnic/racial and other divisions within them. Probably the main difference lies in the fact that Australia was constructed as a migrant settler society from its inception, thus having conscious immigration policies (which of course have undergone profound changes over the years), while for Britain such a perspective is one of the actual foci of major ideological and political struggles in the country. This is not to say that Britain was, before the settlement of significant black migrant communities in it since the 50s, a 'normal' European nation state (if such a thing exists). On the contrary – the meaning and boundaries of its national collectivity have undergone far-reaching changes in the last hundred years.

In fact, a unified concept of the boundaries of the British national collectivity has never existed. Tribal, and later regional collectivities have always existed in varying degrees of power and saliency, side by side, or rather within, wider dominant national state boundaries. Robert Miles (in *Husbands*, 1982: p. 287) describes how 'While in England, "Englishness" and "Britishness" tend to be overlapping and equally positive political identities, in Scotland "Scottishness" and "Britishness" are distinct and not equally positive political identities'. 'For those living in England, therefore, this has meant that national identity is fluid and imprecise, floating between "Englishness" and "Britishness" because the centre of economic, political and ideological power in Britain is in London (and so England).'

The widest boundaries existed during the height of the British empire. They were not merely boundaries of state control but came to signify a national symbol of the superiority of Britain 'Where the sun never sets'. It was not only a question of territory – British colonies and also the British colonised were seen as an inherent part of the national glory (as inherent as the feeling of racial superiority of the Anglo-British (or Anglo-Celtic), over those they ruled). This was an attempt to legitimise British control over the colonised territories, but was not intended to encourage the colonised people to settle in the 'Mother Country'. This contradiction is what has shaped to a great extent the struggle over national boundaries and immigration controls in Britain in the next three and a half decades – until the much narrower concept of British nationality defined in the 1981 Nationality Act came to the fore under Thatcher's government and closed the growing gap between the nationality boundaries as they were outlined under the previous Nationality Act

and in the Immigration Controls Act (London & Yuval-Davis, 1984; WING, 1985).

Tom Nairn (1981: pp. 368–9) argues that the Anglo-British nationality is 'strong but synthetic' – 'There have never been "Britons" except in newspaper disaster lists ("Indian air crash, 8 Britons feared lost"), any more than there were "Austro-Hungarians" before 1917'. Moreover, he claims that the Anglo-British nationality, 'the mass political reflexes it rested upon were unbroken by revolution nor tested by defeat and national humiliation'. It 'was uniquely stamped by collusion with imperialism'. I would argue, however, that the creeping sense of 'the end of empire' without any possibility of catharsis (except in international football matches and Falkland wars . . .), is exactly what determines to a great extent the framework for the political and ideological struggles that take place in contemporary Britain and its relation to ethnic minorities.

This overall synthetic identity of Britishness has also been at the heart of the hegemonic ideology of the Australian national collectivity, although with a certain sense of ambivalence based more on a sense of a differentiation than a sense of opposition. Australia's 'Anglomorph' might be as 'stable as a rock' as Knopfelmacher remarked, but it started its recent history as a colony of those who were exiled as criminals and outcasts from England. While British society never fully went through a process of revolution, Australian society never went through a process of a national liberation struggle. An important aspect of the Australian sense of separate nationhood from the British was 'born' in the fight over Gallipoli, in which the Australian soldiers fought as part of the British imperial army (deLepervanche in Yuval-Davis & Anthias, forthcoming). Like the rest of British imperial national-

90 ism, it was laced with racism – but because of its specific geographical location as an outpost of the British empire, it was directed mainly against the Aborigines, the natives of Australia, and the ‘Yellow peril’ – the ‘neighbouring’ Asians whose invasion they feared both militarily and economically (deLepervanche, 1980). Two issues are at the centre of the ideological and political struggles in relation to ethnic/racial divisions in Australia. Firstly, the relationship to ‘Britishness’, particularly in view of the growing percentage in the Australian society of people from non-British origin, let alone English. Secondly, the coming to terms with the historical relationship and the position of the Aborigines in Australian society.

The formation of ethnic/racial divisions in post ww2 Britain and Australia

Most of the theoretical works which have been written on the immigration and settlement of newcomers to Britain have tended to analyse them exclusively in terms of either migrant labour (and their dependants), and/or ex-colonials. The latter category is very often equated with a notion of black settlement. Although most of those who have settled in Britain have been either migrant labourers and/or ex-colonials, this is by no means true for all of them (Castles, 1984: pp. 41–47). Moreover, theoretical analyses which were constructed to explain racism in Britain in one of these frameworks, such as the ‘Need of Capital’ or the ‘Decline of the Empire’, are by definition reductionist and beg questions concerning the dynamics of racism itself.

A prime example in this respect is Robert Miles’ book on *Racism and Migrant Labour* (1982). At the beginning of the chapter on ‘Racism and Class Structure’, he specifically excludes from his analysis

the ‘Asians’ who arrived from Africa as political refugees rather than as migrant labour. In the same breath, however, he admits that ‘the political and ideological reaction to them was very similar to that which followed the earlier labour migration’. If it was so similar, the explanation cannot be grounded in social structures and relations which do not apply to this group of migrants. On the other hand, explanations, like those of Rex & Moore (1967; Rex, 1973) which ground British racism in the post-colonial situation, cannot explain the similarity between the structures of discrimination in Britain and those which have been established in other advanced capitalist societies towards their migrant labourers, nor to Jewish immigrants in East London at the beginning of the century.

To avoid the limitations of these approaches it is best to view ethnic and racial divisions as different forms of power relations from those of class, gender and generation, with ‘their own organisational, experiential and representational forms. They are historically produced and therefore changeable, are affected by and affect each other and the economic, political and ideological relations in which they are inserted’ (Anthias & Yuval-Davis, 1984) – in other words, these divisions cross cut and are irreducible to each other (e.g. as forms of class ‘false consciousness’). At the same time these divisions are enmeshed in each other in historically specific ways. In this respect I fully agree with the authors of *The Empire Strikes Back* (1982 p. 9), who insist that ‘The parallel growth of repressive state structures and new racisms has to be located in a non-reductionist manner, within the dynamics of both the international crisis of capitalist world economy and the deep seated structural crisis of the British social formation’.

As in all other metropolitan societies,

Britain, and especially London, has always attracted tourists, students, professionals, social activists from all over the world, some of whom remained in Britain; along with other metropolitan countries Britain has been a focus for communities in need of escape or being exiled from their countries – like the European Jews, the African Asians, the Vietnamese and recently the Tamils; similarly, like all other advanced capitalist societies, post-war Britain needed and recruited cheap migrant labour from wherever it could – mainly post-war refugees ('European Voluntary Workers'), Irish (who have been the major source of cheap labour in Britain for centuries) and from its colonies and Commonwealth countries – especially from the West Indies and the Indian subcontinent.

The specificity of the British situation has been its imperial past and its co-related inheritance of corresponding boundaries of national collectivity, which extended (till 1893) beyond the spatial boundaries of the nation state. This gave certain political and legal rights to many immigrants even after the British economy started to decline and they were no longer needed by capital. Thus the process of migrant labour communities settlement started earlier in Britain than in other European countries, where economic migrants did not have settlement rights. Ironically, these rights were often held by those towards whom racist ideological traditions have been most developed in the British empire – the blacks, who constitute almost half of the 4.5 million people who in 1981 were living in households with a non-UK born head (Castles et al., 1984). Most of the others have come from Ireland and from countries which are not part of the Commonwealth or the EEC – such as Mediterranean and Middle Eastern countries, Latin American and South East Asians. To them must be added the households of those who belong

to people of the same ethnic and racial minorities who were already born in this country, such as the Jews and Gypsies.

Somewhat similar debates on the 'origins' of post-ww2 immigration and settlement have taken place in Australia. The context, of course, is somewhat different. While only 6.2% of the British population in the early 1980s were born outside the UK, those who were born outside Australia constitute more than 20% of the population (Australian Council on Population and Ethnic Affairs, 1982: Appendix A). The major discussion has been between approaches like that of Birrell & Birrell (1978) who see the Australian immigration experience and policies primarily in terms of the national need to 'populate or perish' and others, like Jock Collins (1984) and Lever Tracy (1983), who analyse them in terms of the centrality of migrant labour to Australian capitalism. The latter approach is similar to Marxist analyses of labour migration to post-1945 Europe. As in the British case, the various explanations should be seen as codeterminants rather than as mutually exclusive. What is significant in terms of the development of ethnic/racial divisions in Australia is the fact that since 1945 the proportion of the Australian population of Anglo-Celtic origin contracted from more than 90% to only about 75%. Most of the rest have come from outside the boundaries of the British empire altogether – from the North, East and then South Europe and the Middle East. They constitute most of the recruits to the Australian industrial working class in the last two decades. In the last few years, while there has been an overall cut in the number of immigrants, as a result of the growing economic crisis in Australia, there has also been a further shift in their overall composition, with the arrival of significant numbers of Asian and Oceanic immigrants, particularly Viet-

- 92 nameless and Chinese refugees (Ministerial discussion paper, 1984).

Another crucial factor in the development of ethnic/racial divisions in Australia was the granting, in 1967, of Australian citizenship to the 1% of the population who are indigenous, i.e. the Aborigines, and the sustained struggles to determine their civil and land rights.² Unlike in most colonial situations in which the indigenous population has been dispossessed and then reincorporated into the colonial system as an exploited cheap labour, the Australian colonisation (like the American one) has been mainly based on dispossession and extermination, and the process of incorporation of the remaining ones into the capitalist (especially the urban) labour market has begun, to a large extent, only relatively recently (although in the North and Centre of Australia, they have provided the backbone of the labour force in the pastoral industry for over a century – often in return for no more a ‘wage’ than that of flour, jam, tobacco and tea).

Aborigines, in most of the Australian literature, are considered a ‘racial group’, while the immigrants are considered as ‘ethnics’, apart from some of the Asian groups. Similarly in Britain Afro-Caribbeans rather than Turkish-Cypriots are considered to be of a different race, although both communities as potential and actual victims of racism come under the legislation of the ‘Race Relations Act’, and there is no biological or any other scientific validity to the concept of ‘race’ whatsoever. Part of the confusion are the different paradigms under which ‘common sense’ and written discourses on the issue have been formulated. This confusion is itself also partly an expression of the political struggles which are going on in both Britain and Australia in relation to their ethnic/racial divisions.

Some theoretical clarifications

As mentioned above, one cannot differentiate in an abstract way between ethnic, racial and national collectivities.³ Historically they all have been formed in many different ways – conquests, colonisations and immigrations have all played their part. Moreover, communities which have been called national at one point of time or in one country, have been called ethnic and/or racial at others. While each collectivity has to be analysed in an historically specific manner, what is common to them all, in all their diversity, is that all are forms of ideological constructs which divide people into collectivities or communities (‘imagined ones’, to use Anderson’s terminology (1983)). This involves exclusionary/inclusionary boundaries which form the collectivity, dividing the world into ‘Us’ and ‘Them’. Although the constructs are ideological, they involve real material practices and therefore have material origins and effects. The boundaries of these collectivities tend to focus around a myth (which can be real or not) of a common origin or a common fate, so that membership of the collectivity is normally obtained through birth. The boundaries of such collectivities can shift – they can cross-cut, expand or shrink in specific historical and socio-psychological situations, nor are they always symmetrical (e.g. in different situations and sometimes at the same time I am Jewish; I am Israeli; I am British; I am a foreigner; I am a ‘Wog’; by some I am considered white – by others – as not; etc.). All these divisions and boundaries, however, are irreducible to any other forms of social divisions.

It is clear from the above that I do not consider ethnicity to be only a question of a subjective or objective identity. It also involves struggle, negotiation and use of ethnic resources (such as language and culture as well as economic and political

resources) in the power relations with other collectivities, which can be more or less enmeshed in specific class relations. Therefore, in spite of an often political usage of 'ethnicity' as a means of constituting 'the Other', it cannot be seen only as a specific characteristic of minorities but as common to all collectivities. The dominant collectivities differ only to the extent that, when successful, they manage to 'naturalise' their ethnicity into the basis of the social and political order and the hegemonic definition of 'human nature'. Very often, as we have expanded elsewhere (Anthias & Yuval-Davis, 1984; Yuval-Davis & Anthias, forthcoming: introduction), gender divisions play a crucial role in determining the boundaries and the reproduction, symbolic as well as biological, of the collectivities.

Racism is a specific form of ethnic exclusion – one which has an element of a biological determinism in it. Once one is identified as a member of a certain collectivity, one is ascribed with a set of inherent condemnable characteristics. Skin colour is often used as means to 'identify' such a membership, but by no means is it the only one – any group that has been located in ethnic terms can be the target of racism. Nor does colour or any other means of identification of the victim bear any direct relation to the specific practices of exclusion, exploitation and oppression which might follow.

Nationalist discourse includes demands and/or practices for separate political representation and/or territory for the ethnic/racial/national collectivity. Anderson (1983) sees it as a positive sentiment, while viewing racist discourse as negative. As we have argued in the British and Australian cases, racism can be constituted as an inherent part of the ethnicity of the hegemonic national collectivity. The right for national self-determination which has

been, in different ways, part of the demands of both the liberal and socialist movements, has assumed an ideal type of a nation-state in which all citizens will be members of the same collectivity. Today there is virtually nowhere in the world in which such a 'pure' nation state exists, if it ever did. Some anti-racist struggles have gained enough power to break, to a certain extent, the 'naturalness' of the hegemony of the dominant national collectivity in various Western societies. This relative success (which should be recognised in spite of the general oppressive economic and political climate) has exposed, however, the need for new and adequate tools for constructing an anti-racist society which would transcend the conventional solutions (of assimilation/separation) which have failed in the past.⁴ The following parts of the paper will examine state policies and anti-racist struggles from this perspective.

Racism and the state

While racism exists in both countries, and the number of immigrants has fallen relatively in both places since the beginning of the economic recession in the 1970s, immigration policies in Britain and Australia have been developing largely in opposite directions over the last two decades – into a more particularistic and exclusionary one in Britain and into, with all its limitations, a more universal one in Australia. In declining Britain immigration policy was a process of escalation of the blocking of 'undesirable' especially black immigration, first from Commonwealth subjects and then from actual British citizens who were not 'patrial' (this racist concept was introduced into the British legislation system when African Asians started in the 1906s to flee to the UK). This was a gradual process which generally followed the dir-

94 action pointed out by Enoch Powell as early as 1964 (Nairn, 1981: pp. 258–259), for the British to ‘cut their losses’, ‘to come home’ from the Empire and to stick to ‘old England’. Blacks had gained their civil rights in Britain in the 1948 nationality legislation. But to a large extent this was not because of the liberalism of the legislators at that time, but because they were not even visible enough to be perceived as a threat to the hegemony of white British collectivity, especially within Britain.

In relatively more flourishing Australia, immigration policy was a process of accommodation to the non-availability of sufficient ‘desirable’ (especially Anglo-Celtic) immigration material, relinquishing the earlier ‘White Australia’ immigration policy (Ministerial discussion paper, 1984) and consequently gradually opening the gates to the least ‘undesirable’ immigrants of those available (although there are some signs that with the current growing recession and the rise in popular racism, more restrictive immigration controls in which Anglomorphism will have a larger role to play may again be on the cards).⁵

Similar differences could be detected in the attitude of the immigration rules to women. While sexism is as strong, if not more so, in Australia as in Britain, immigration legislation has not discriminated against women in Australia as in Britain, because what is feared in Britain – that the immigrants would ‘swamp’ the country with their families (WING, 1985) – was encouraged in Australia.

The ideology of the New Right in Britain Immigration controls and nationality legislation are what define, symbolically as well as in actuality, the boundaries of the national collectivity. It has always been part of the official ideology of the Conser-

vative Party in Britain (and to a certain extent also of the Labour Party) that strict immigration controls are to be seen as preconditions for ‘good race relations’ in Britain. Only if ‘the people’ were not afraid that ‘the British way of life’ was being threatened by the immigrants would they be willing to accept them into their collectivity. (Competition for scarce resources in employment, housing, health, education, etc. as such, has *not* been the overriding argument, because there was never an attempt to curb uncontrolled immigration of the Irish and other members of the EEC.) In reality, of course, the picture has been very different. The strict immigration controls and the new Nationality Law, not only prevent many people from coming to Britain, but have also created categories of people deprived of British citizenship even if they were born in the UK, or constructs them as illegal immigrants who are criminalised and are in danger of being deported. Moreover, they have created a situation in which, in order to have access to health and welfare services, proof of eligibility is required, mostly from people with certain accents and skin colour. In other words, there has been a close relation between tightening the external boundaries of the national collectivity by using racist criteria for membership in the collectivity and structural racism within it.

Official ideology is, of course, very different. In the last general election campaign in Britain, the Conservative Party published a poster which showed a young black man with the caption – ‘Labour says he is Black – we say he is British’. The sentiment behind this slogan is not total hypocrisy. Work that has been done on racism and the New Right in Britain (Gordon & Klug, forthcoming) has shown that, like in many other issues, there is more than one position on the matter. On

the one hand we have seen the development of the new racism which Martin Barker (1981) has elaborated upon, which divides humanity into different primordial groups with 'natural' antipathies between them. The only way to reduce conflict according to this argument is by applying to the full the national (which is defined in a naturalistic ascriptive way) right for self-determination – for each group to control its own territory. Hence in its extreme those who have adopted this position would like to see policies of repatriation. It is a different position from the older 'authoritarian' Fascist Right, who directly ascribe biologically determined inferiority to blacks and other minorities and who are still very much part of British public and political life.⁵ But its practical implications can be very much the same.

Another position which can be found amongst the more libertarian New Right, is much more individualistic and assimilationist, sharing the Australian Knopfelmacher's belief that the 'British character' of the country is independent of the race of the immigrant. This ideology is that which is presented in the famous election poster mentioned above. This ideology is also behind the encouragement and incorporation of Asian businessmen into the Conservative Party (in addition, of course, to cynical electoral considerations). This ideology of assimilation may also explain, incidentally, the relatively high number of Jewish ministers in Thatcher's government, although antisemitism is far from being *passé* among British Conservatives. Concerning blacks, however, the contradictions inherent in assimilation as a successful solution for racism are even more overriding. Their skin colour would be a constant reminder that their Anglo-morphism is not ascriptive, as being black in the Anglo-Celtic ethnicity is used as a signifier for exclusion from the collectivity.

Contemporary politics of racism in Britain

Repression and assimilation have not proved to be sufficient forms of control in the current social and political context. The economic recession, which is characterised by high unemployment and growing alienation of young blacks, especially unemployed males, has worked against such strategies. Racial divisions which tended to be enmeshed in exploitative class relations within the labour market, are gradually changing in the current economic context in which the second generation of black migrant labourers have tended to be excluded from the labour market altogether (Nicholas, 1981).

This became clear after the 1981 riots and the subsequent Scarman Report. In a sense it would not be an exaggeration to say that these riots pushed the British state into confronting the reality that Britain is not an ethnically homogeneous society and that ethnic and racial divisions are not going to 'wither away' with a bit less immigration and a bit more incorporation and repression. As a result of the 1981 crisis, significant policy changes were initiated, influenced, to a great extent, by American expertise and advice. The police, for a while at least, adopted a somewhat more incorporationist and less confrontationist style than before (while maintaining a stronger than ever confrontational style in class struggles such as the miners' strike of 1984–5). The more important change, however, has been in the development of a whole new network of social control by cultivating a new black middle class, to a large extent via the provision of Section 11 of the Local Government Grants (Social Need) Act, 1969.

Section 11 funding has been used to channel government money to local authorities for developing programmes (financed 75% by the Home Office and

- 96 25% by the local authority) for the 'special social needs' of local people of New Commonwealth and Pakistani origin'. One effect of this among others has been that black workers have been employed to 'look after' other black people in the community, in jobs which have no career promotion structure (Sivanandan, 1985; Prashar & Nicholas, 1986; Anthias, Kane & Yuval-Davis, forthcoming).

However, these developments have been only part of the rapidly changing scene of the 'race relations industry' in Britain. Britain has had a network of 'buffer institutions' since the beginning of the race relations legislation in the 1960s, which have been described and analysed many times before.⁷ Given the limitations of this article I would only like to sum up briefly here what seem to be the most significant developments in this area since 1981, in all three sectors – central government, local authorities and the voluntary sector:⁸

a) '*Race Relations*' has been a rapidly expanding industry in times of general severe cuts in all other public services and funds;

b) There has been a growing reliance on middle-class blacks rather than the previous ex-colonial expert whites to staff these positions; amongst the blacks there is a perceptible shift in more recent years, to prefer Afro-Caribbean in an attempt to control the more 'troublesome' elements among the blacks. Previously Asians were the preferred ethnic group to be employed in such posts, both because the Asian community already contained a substantial middle-class element and because their knowledge of Asian languages in addition to English enabled them to service both the Asian and the Afro-Caribbean communities.

c) There is a certain shift from the 'older style' buffer institutions in which each

ethnic minority was represented by its traditional leadership, and 'ethnic politics' were used as a means of depoliticising 'race relations'. The monopoly of the traditional leadership has been broken by dissenting radical organisations such as women's and community groups controlled by younger, often second-generation activists which have been recognised and financed (especially by Labour-controlled local authorities). In certain local authorities consultative bodies made up of these organisations have started to challenge the older buffer institutions.

d) The existence of general buffer institutions does not seem sufficient any more. There is an extension of 'race relations' structures and an establishment of new special posts to deal with these issues in a range of areas of public life including health, fostering, housing and training, in which formerly they did not exist.

e) The previously (late '70s) popular (but to a large extent unapplied) doctrine of multicultural education is being challenged and alternative models of racism awareness training (for whites) and positive action programmes (for blacks) on the one hand and black separatism which demands exclusive black control in what pertains to blacks in Britain on the other hand, are gaining ground.

This emerging picture has been a result of at least three different types of initiatives which have taken place over the last few years in Britain, and which, although very different in their political orientations, have been intermeshed in actuality at least to some extent. The first one is the above-mentioned government attempt to contain rebellion and protest and to incorporate potential opposition leadership among the minorities. The second type of initiative has emerged from the GLC and other radical Labour Party segments which have directed funds and space to black activists

as part of their 'popular planning' policies. Thirdly, but probably most importantly, is the crystallisation of a new generation of a black militant intelligentsia who have attempted simultaneously to fight racism as well as to gain political and professional positions via a new network of community organisations both in the public and voluntary sector.

This picture is very far from being stable. The 1985 riots in which people died on both sides, have shaken the government's belief in its ability to contain the growing urban unrest as the economic crisis deepens and rates of unemployment, especially in inner city areas, continue to grow. The emphasis in policing is shifting to harsh repressive measures to an extent unknown in mainland Britain for many decades. On the other hand, the GLC and other metropolitan authorities are being abolished, and given the existing political climate many anti-racist organisations will not find alternative funding. Also many more black activists are starting to confront the limitations of what Herman Ousley (1986) is calling 'the project mentality' and 'fighting over the crumbs'.

Multiculturalism in Australia

Australia, within the constraints of the structural differences between the two societies, moved in a somewhat similar direction in its attempt to 'deal' with its national minorities' 'problem', moving from a policy of assuming automatic assimilation of the immigrants into the 'British way of life' towards a policy of multiculturalism. However, the different geo-political position of Australia, on the one hand, and the specific composition of its minorities on the other, has constructed the Australian ethnic/racial divisions in a much less dichotomous manner of black/

white divisions than has been the case in Britain.

Conservatives in Australia have adopted a multiculturalist ideology both earlier and in a more comprehensive manner than in Britain. They have gone as far as declaring 'multiculturalism' as the basis of 'our developing nationhood' which is 'a unique mix of people, derived from all parts of the world and including the descendants of the original inhabitants of Australia, the Aborigines' (Council on Population, 1980: p. 5). The motivation there was less to contain social and political rebellion from the most disadvantaged segments of the population than to retain the relative advantages the existing ethnic stratification has given to those with hegemonic powers within it. This has taken place in a context of growing recession and a slow down of further proletarian immigration, especially from Southern Europe. Since the late 1970s the strategy has been to incorporate as many intellectuals, professionals and businessmen of ethnic minority origins as possible (especially non-English speaking ones) throughout the public services, including the establishment of major special stations on radio and television, and Ethnic Affairs commissions. As Andrew Jakubovitz points out (1984: p. 42), 'Multiculturalism gives the ethnic communities the task to retain and cultivate with government help their different cultures, but does not concern itself with struggles against discriminatory policies as they affect individuals or classes of people'. In other words, multiculturalist policies have aimed at retaining ethnic resources as legitimisers, not only of the continuous reproduction of ethnic boundaries within the Australian society, but of the existing power relations between them. This was done via conceding power positions to middle-class segments within those ethnic minorities, transforming them

98 to a great extent to 'professional ethics', cultivating ethnic resources which give them power positions both within their ethnic communities as well as acting as 'their representatives', in the general Australian society.

The multiculturalist policies have been under attack from the right – the more liberal ones like Knopfemacher, who have maintained the assimilationist position and who are worried that in the long term multiculturalism will damage the 'rock' of the Anglomorph dominance in Australia. Others, inspired by the 'new racism' of Prof. Blainey, but manifested popularly also by old-fashioned 'Anglo-Celtic' working-class racism, are explicitly racist, directing their aggression, especially with the deepening economic recession and growing unemployment, against the most recent 'undesirable' migrants, the Vietnamese, in a way which is directly linked with the strand of anti-Asian racism present in Australian ethnicity since the last century. This is a clear case, however, of the irreducibility of racial divisions to the class context within which they are enmeshed. As Jack Collins remarks (1985), the Asians constitute much less competition in the shrinking labour market than the Anglo-Celtic immigrants towards whom no popular hostility seems to exist.

Australian Leftists have also been attacking the multiculturalist policies, acting mainly via a network of radical migrant and Aboriginal community organisations, who are fighting for structural changes relating to the socio-economic and political power of the ethnic minorities, as workers, as women, and as consumers of public health and education services etc., as well as occasionally also against the traditional ethnic minorities' leadership itself.

What has been especially frustrating

for the Left has been the fact that when the Labour government came to power in 1983, the situation did not change significantly. As in Britain, but probably on a larger scale, ethnic activists became dependent on state finance (both federal and local), which was never sufficiently large or secure for long-term planning; processes of formal consultation and popular planning were followed, but many specific demands which were raised around issues of trade union rights, education rights and inter-ethnic organising have been dismissed or refused.

Similar policies were followed towards the Aboriginals, who, according to de Lepervanche (1980) have been 'ethno-cised'. The Aboriginals, however, present the ideologues of 'multiculturalist Australia' as well as its socialist critics, with more complex problems when deciding what should be the 'proper' strategies to deal with this issue. This is so, not only because of the very partial incorporation of the Aboriginals to the general Australian class relations, but also because part of accepting Aboriginal culture and custom as legitimate, raises basic questions concerning the legitimacy of the Australian state and national collectivity, the 'Imposing Society' in Aboriginal terms. This applies especially to sensitive issues such as land rights in valuable mining areas, which if fully recognised (– unlikely, given the present economic and political climate in Australia), would transcend, rather than retain, existing power and class relations in the present Australian ethnic stratification system, giving Aboriginals property rights and dividends on some of the most desirable and scarce natural resources in the world.⁹ Another set of problems concerns the debate on the right of the Aboriginals to exercise their customary laws on their lands. This might create two different legal systems – one applying to

Aboriginals and the other to 'Australians', just at a time when the struggle to abolish discriminatory legislation against the Aboriginals in the various states in Australia has started to be successful (Maddock, 1974).

It is difficult to foresee how the politics of racial/ethnic divisions in Australia will develop in the near future, but the economic and political context can hardly encourage further positive developments. There are indications that the 'Anglophonia preference' is going to be intensified by the recent reduction in funding for the Adult Migrant Education Service, which will mean non-English speakers will find life harder.¹⁰ Also, there is currently a considerable debate concerning the new concept of 'mainstreaming', which as a replacement to 'multiculturalism' offers Hawke's government the possibility of getting out of resourcing 'ethno-specific' services in the current fiscal crisis. This might damage some of the very real, if limited, achievements of multiculturalism in Australia.

Towards a conclusion

The article started by delineating the connection as well as the differences in the ideologies which construct the national collectivity formations and boundaries in Britain and Australia. A central feature of both of them has been the ideological tradition which argues for the essential superiority of the Anglo-Celts. In other words, British, as well as Australian nationalism, has been organically linked to racism, more generally against non-Europeans. In Britain, this applies specially against blacks, while in Australia this applies more specifically against the Aboriginals and the Oriental Asians. The latter was due to the fact that Australia was located in a specific geographical corner of the

globe, while in the British empire in general, 'the sun never set' and 'racially inferior' people were encountered in all its outposts.

The article then went on to examine the nature of migration and settlement in the two countries in the post-1945 period and the decline of the British empire which resulted, amongst other things, in the growing autonomy of Australia itself as part of the British Commonwealth. While in both cases immigration was part of the global process of migrant labour under advanced capitalism, important differences were also noted between the two countries. In Australia, as a migration society, there was a positive encouragement for migrants' settlement. In Britain, on the other hand, there has been a marked reluctance to allow this, in spite of the fact that the majority of the immigrants to Britain come from people who have Commonwealth, if not actually British, passports and which, according to British nationality legislation, have been considered until recently part of the British national collectivity. In Australia, on the other hand, a major section of the post-1945 immigrants came from countries that had no previous political or cultural connection with Australia or with the other parts of the British empire.

As a result, in spite of the various racist measures which were directed against the newcomers, it was relatively easy to maintain official and academic discourses concerning the Australian immigrants in terms of purely culturalised 'ethnic' differences which were very distinct from the racist discourses directed against the Aboriginals. This distinction, however, became more difficult both because of the growing visibility of South East Asian migrants from the traditional objects of Australian racism, and because of incorporationist policies directed towards the

100 Aboriginals which have included them within Multicultural Australia.

In Britain, however, unlike Australia, the major ethnic communities who settled in the post-1945 Britain – i.e. the Afro-Caribbeans and those who came from the Indian subcontinent, have been the principal victims of the most extreme forms of British racism. Other migrants, especially those who had no Anglo-Celtic origins, have also suffered various degrees of formal and informal racism, but the blacks are those who have been the major and most visible targets. The official discourse in Britain has, therefore, been conducted all along in terms of 'race relations' (in spite of official and academic attempts to substitute this by ethnic multiculturalism, but without actually tackling racism), incorporating racist commonsense even within the facets of the law which formally legislate against it (Mies, 1982).

The situation in Australia is far from being satisfactory, as our discussion above points out, and the economic recession is creating conditions for a renewed wave of racism, especially as ethnic and class divisions are so closely intermeshed in Australia. However, when viewed in a comparative light, one has to recognise that the Australian state and national collectivity are less ideologically dominated by Anglomorphism than they used to be and that the criteria for membership of the Australian national collectivity are more genuinely pluralist.

In Britain, on the other hand, the anti-racist struggle, in spite of some important gains in the last few years, has a much more difficult task – it is taking place in more difficult political and economic conditions and, in addition, has to tackle the heart of the 'Anglomorph' ethnicity in its own 'home'.

There is no place and space in this article to analyse and evaluate the anti-

racist strategies of the Left and of the ethnic minority activists in both countries, although this is a task that urgently needs to be done. Obviously no one general strategy can provide a 'miracle cure' and every struggle has to be examined carefully within its own very specific historical context. However, I would claim, that from the discussion in this article, two general statements in relation to this issue can be made. The first relates to the autonomous nature of ethnic/racial/national divisions in society. Although struggles in the other arenas in which these divisions are closely intermeshed, such as class, gender and generational divisions, are not only important but are absolutely necessary for a successful anti-racist struggle to have any chance, they are not sufficient. Racism has to be confronted within its own arena.

The second concluding remark relates to the general approach in which such confrontation has to be done. It must take full account of the central role racism occupies in constituting the ethnicity which defines the boundaries of the Anglo-British national collectivity in Britain and Australia. Anti-racist strategies which accept this element as a given, 'natural' a-historical and eternal reality, are often seductive and may be seen as the only 'realistic' or 'pragmatic' solution, given the extreme passions which are involved in the issue (Anderson, 1983). The anti-racist activists among the minority collectivities often take the short cut and popular mobilising option of attempting to renegotiate the power relations of the exclusionary/inclusionary boundaries between the two collectivities rather than aiming at abolishing those very boundaries as modes of exclusion. However, these strategies, even if successful in weakening somewhat the total hegemony for the dominant collectivity, are doomed to a

long-term failure – especially in a society in which there is a clear majority to the dominant collectivity – except, possibly, in securing specialised but contained power positions for a middle-class stratum in the various minority collectivities. Reports which come from the USA (Thomas, 1986), describing the ‘success’ of the anti-racist struggle there illustrate this point well; there is a black Mayor in Detroit, but there is also 70% unemployment rate among blacks in Detroit. And the racist right-wing conservatism represented by Reagan is stronger than ever.

Otto Bauer,¹¹ who is increasingly viewed as the only ‘classical’ Marxist who had managed to begin to come to grips with the national phenomenon, saw in the nation a body of people who developed ‘a national character’ (i.e. ethnicity) as a result of ‘a common fate’. A long-term successful anti-racist strategy will not take the direction of assimilationism or separatism, but will set out, via a variety of common struggles against social, political and economic disadvantages, to transcend and expand the criteria for membership in the ‘common fate collectivity’ which will include us all.

Notes

My acquaintance with Australian ethnic and racial divisions has been acquired mainly around my lecture and study tour over there in July–August 1984. I cannot possibly name here all the very many people to whom I am very grateful for sharing with me their insights about the Australian society and offering me their warm hospitality – in women’s and community groups; migrant resource centres; ethnic affairs commissions; government ministries and university campuses. I shall confine myself therefore at the moment to just mentioning Marie de Lepervanche and her late husband George Munster; Gill Bottomley; Andrew Jakubowicz; Helen Meekosha; and Stephen Castles.

My acquaintance with British ethnic and

racial divisions has grown steadily over the dozen years I have been living and active here. I started to study them systematically, however, in my work on women and the new nationality law, first with the solicitor Louise London (see ‘Women as national reproducers: the nationality act (1981)’, 1984) and then with WING (Women, Immigration and Nationality Group) collective (see *Worlds Apart, Women Under Immigration and Nationality Law*, 1985). Currently I am involved in a more comprehensive study of the issue via a research project on ‘Racism and “the Community” in South-East London’ with my colleagues Floya Anthias (with whom I wrote a theoretical paper which appeared in *Feminist Review*, ‘Contextualizing feminism: gender, ethnic and class divisions’) and Harriet Kane. I thank you all, as I thank the members of the *Capital & Class* editorial collective, John Solomos, Rachel Sharpe and especially Ruth Pearson, who, like my other colleagues, read the first draft of the paper, made useful remarks and suggested changes. Needless to say, the responsibility for what is written in this paper is mine alone.

1. Prof. Blainey is an historian from Melbourne University, who, in the last couple of years, has agitated against South Eastern immigrants to Australia, especially Vietnamese refugees, in terms very similar to Enoch Powell’s famous ‘Rivers of Blood’ speech. His systematic argument has recently appeared in a book called *All for Australia*.

2. For a more detailed examination of the Aboriginal situation in Australia, see, for example, K. Maddock, *The Australian Aborigines* (Penguin Australia, 1974); D. Bell & P. Ditton, *Law: The Old and the New* (Aboriginal History for Central Australian Legal Service, 1980); C.D. Rowley, *The Destruction of the Aboriginal Society* (Penguin, 1978).

3. See Anthias & Yuval-Davis, op. cit., where the theoretical position stated in the next couple of pages was first developed.

4. For a detailed discussion of this issue, focussing on the Jewish question, see my paper ‘Marxism and Jewish Nationalism’, presented at ISA colloquium on *Marxist Perspectives on Ethnicity and Nationalism*, Belgrade, September 1985.

5. Knowledge of English will entitle potential immigrants with some credit points for their application.

- 102 6. As the report of the Young Conservatives for their last year's party conference has shown, the Conservative Party itself has been penetrated by members of the Authoritarian Fascist Right.
7. For instance, see I. Katznelson, *Black Men, White Cities* (Oxford University Press, 1973), various Runnymede Trust publications and numerous articles by Sivanandan and others in *Race & Class*.
8. For a more detailed analysis see the future research report on racism and the community in S.E. London, op. cit.
9. And thus might create a new 'rentier' class, to use Eqbal Ahmed's label for the Gulf states who live on oil revenues (in his paper on the Iran/Iraq war, *Khamsin* 12, March 1986).
10. But, remarks an Australian sociologist in a recent personal letter, English-speaking wealthy Hong Kong entrepreneurs will be welcomed, at least by the multiculturalists, with open arms . . .
11. Otto Bauer, *The National Question*. The whole text is not yet translated to English. Two articles discussing his contribution have appeared in *Capital & Class*, no. 25, Spring 1985 – by E. Nimni, 'Marxist theories of nationalism' and by R. Munck, 'Otto Bauer – towards a Marxist theory of nationalism'; see also discussion in my paper 'Marxism and Jewish nationalism', op. cit., pp. 12–14.

References

The Age, 31 March 1984, Melbourne.

Anderson, B. (1983) *Imagined Communities*, Verso.

Anthias, F. & Yuval-Davis, N. (1984) 'Contextualizing Feminism: Gender, Ethnic and Class Divisions', *Feminist Review* 15.

Anthias, F., Kane, H. & Yuval-Davis, N. (forthcoming) *Racism and the Community in SE London*.

Australian Council on Population and Ethnic Affairs (1982) *Multiculturalism for all Australians*.

Barker, M. (1981) *The New Racism*, Junction Books.

Bauer, O. (1940) *The National Question*, Hotzaat Hakibutz Haartzit, Merhaviva (Hebrew).

Bell, D. & Ditton, P. (1980) *Law, the Old and*

the New, Aboriginal History for Central Australian Legal Service.

Birrell, R. & Birrell, T. (1978) 'The Dynamics of Immigration Policy in Australia', in R. Birrell & C. Hay, *The Immigration Issue in Australia*, La Trobe University.

Bottomley, G. & de Lepervanche, M. (1984) *Ethnicity, Class and Gender in Australia*, George Allen & Unwin.

Castles, S. et al. (1984) *Here for Good*, Pluto Press.

Catley, R. & McFarlane, B. (1981) *Australian Capitalism in Boom and Depression*, Alternative Publishing Cooperative Ltd, Chippendale.

Collins, J. (Autumn/Winter 1985) 'Do We Want Geoffrey Blainey's Australia?', *The Australian Quarterly*.

Curthoys, A. & Markus, A. (eds) (1978) *Who Are Our Enemies? Racism and the Working Class in Australia*, Hale & Iremonger.

de Lepervanche, M. (1980) 'From Race to Ethnicity', *ANZJS*, vol. 16, no. 1.

Gale, F. (ed.) (1980) *We Are Bosses Ourselves; The Status and Role of Aboriginal Women Today*, Australian Institute for Aboriginal Studies.

Gordon, P. & Klug, F. (forthcoming) *Racism and the New Right*, Searchlight.

Jakubowicz, A. (1984) 'Ethnicity, multiculturalism and neo-conservatism', in Bottomley & de Lepervanche, op. cit.

Jakubowicz, A., Morrissey, M. & Palser, J. (1984) *Ethnicity, Class & Social Policy in Australia*, Social Welfare Research Centre, NSW.

Katznelson, I. (1973) *Black Men, White Cities*, Oxford University Press.

Lever-Tracey, C. (1983) 'Immigration Workers and Postwar Capitalism: In Reserve or Core Troops in the Front Line?', *Politics & Society* no. 2.

London, L. & Yuval-Davis, N. (1984) 'Women as National Reproducers: The Nationality Act (1981)', *Formations of Nation and People*, RKP.

Maddock, K. (1974) *The Australian Aborigines*, Penguin.

Martin, J.I. (1978) *The Migrant Presence, Australian Responses, 1947–1977*, Allen & Unwin.

Miles, R. (1982) *Racism and Migrant Labour*, RKP.

- Miles, R. (1982) 'Racism and Nationalism in Britain', in C. Husbands (ed.), *Race in Britain*, Hutchinson.
- Ministerial discussion paper (1984) *Racism in the 1980s, A Response*, Office of the Minister of Ethnic Affairs, Melbourne.
- Munck, R. (1985) 'Otto Bauer - Towards a Marxist Theory of Nationalism', *Capital & Class*, no. 25.
- Nairn, T. (1981) *The Breakup of Britain*, Verso.
- Nicholas, S. (1981) *Employment, Unemployment and the Black Population*, Runnymede Trust.
- Nimni, E. (1981) 'Marxist Theories of Nationalism', *Capital & Class*, no. 25.
- Prashar, U. & Nicholas, S. (1986) *Routes or Roadblocks?*, Runnymede Trust.
- Searchlight* (Autumn 1983).
- Sivanandan, A. (1983) 'Challenging Racism: Strategies for the '80s', *Race & Class*, Autumn.
- Sivanandan, A. (1985) 'RAT and the Degradation of Black Struggle', *Race & Class*, Spring.
- Rex, J. & Moore, R. (1967) *Race, Community and Conflict*, Oxford University Press.
- Rex, J. (1973) *Colonialism and the City*, RKP.
- Rowley, C.D. (1978) *The Destruction of the Aboriginal Society*, Penguin.
- Theophanous, A.C. (1980) *Australian Democracy in Crisis*, Oxford University Press.
- Thomas, R.W. (1986) 'Looking Forward: The Detroit Experience After the Riots of 1943 and 1967', presented at the 'Policing and Urban Unrest' conference, University of Warwick, January.
- WING (1985) *Worlds Apart: Women Under Immigration and Nationality Law*, Pluto Press.
- Yuval-Davis, N. (1985) 'Marxism and Jewish Nationalism', presented in ISA colloquium on 'Marxist Perspectives on Nationalism and Ethnicity', Belgrade, September.
- Yuval-Davis, N. & Anthias, F. (eds) (forthcoming) *Woman - Nation - State*.



ACADEMIC PRESS



Cambridge Journal of Economics

Managing Editor: Ann Newton

Editors: Ken Coutts, Francis Cripps, Geoff Harcourt, Alan Hughes, Jane Humphries, Michael Landesmann, Tony Lawson, Peter Nolan, Suzy Paine, Hashem Pesaran, Jill Rubery, Ajit Singh, Roger Tarling, Terry Ward, John Wells, Frank Wilkinson.

Since the early 1960s a new intellectual approach has been developing in economics. While clearly rooted in older Keynesian and Marxian traditions, this approach draws on the mass of empirical evidence now available to deal with contemporary economic problems. In the light of this work older theories are being revised and reconstructed, and a new economic analysis is emerging. The *Cambridge Journal of Economics*, and the Cambridge Political Economy Society which manages it, have been founded to provide a focus for this work, which is taking place in universities and research departments throughout the world.

The Journal publishes theoretical and applied articles on major contemporary issues, with strong emphasis on the provision and use of empirical evidence and the formulation of economic policies. In this respect it differs from most existing journals, which are devoted to a sterile body of theory divorced from practical questions. The editors break with conventional practice by including a regular commentary on current affairs. There are also review articles and commissioned articles on subjects of importance.

Recent Contents:

The economic performance of producer co-operatives within command economies: evidence for the case of Poland, **D. C. Jones**. The degree of monopoly, the macroeconomic balance and the international current account: the adjustment to the oil shocks, **J. L. Nicoloni**. The problem of late industrialisation and the experience of the Republic of Ireland, **E. O'Malley**. The existence of a two-class economy in a general Cambridge model of growth and distribution, **E. Fazi and N. Salvadori**. On input 'demand curves', **I. Steedman**.

Publication: Quarterly, Subscription: Volume 10, 1986

Full Rate: \$71.00/£35.00 (UK) *Personal Rate: \$35.00/£16.50 (UK)

Combined subscription rate for Cambridge Journal of Economics and Political Economy: Full Rate: \$86.00/£41.00 (UK) *Personal Rate: £47.50/\$20.50 (UK)

Coupon **JMD/10,86/A007**

Cambridge Journal of Economics

To: Journals Marketing Department
Academic Press Inc. (London) Ltd
24-28 Oval Road
London NW1 7DX.

Please tick

☐ Please send me a sample copy and subscription details of Cambridge Journal of Economics

Signature Name (Capitals)

Address

Date

24-28 OVAL ROAD, LONDON, NW1 7DX
1250 SIXTH AVENUE, SAN DIEGO, CA 92101

Nicaragua: The fifth year — transformations and tensions in the economy

● This article offers a preliminary analysis of the major transformations carried out in the Nicaraguan economy by the Sandinista Revolution, and the tensions and contradictions that have marked this process. Despite the general nature of the title it focusses mainly, but not exclusively, on the agricultural sector; this is not inappropriate since it accounts for more than 80% of the material product and of the value of exports, and 50% of the economically active population.

The first section presents the fundamental aspects of the strategy of national unity and mixed economy which sets the political context of the process of economic transformation. The second section examines the principal economic transformations focussing on three basic issues: changes in the relations of production and ownership, the development of the productive forces and changes in the labour process. Finally, the third section analyses the main tensions and contradictions generated by the process of transformation and the way in which the revolution has faced them.

The article argues that after six years of democratic and anti-oligarchic economic transformations the revolutionary government's mixed economy strategy must face increasing tensions and contradictions. The hopes placed on the bourgeoisie have been disappointed; it is basically the public sector and the small producers who have invested; the capitalist recession has

An up-to-date and detailed analysis of the changes which have taken place in the Nicaraguan economy since the revolution. The article discusses the main tensions and contradictions that have marked the Sandinista strategy of national unity and a mixed economy in the context of the build-up of counter-revolutionary attacks and increasing economic difficulties.

prevented production from recovering, fuelling speculation and the black market. Slow growth of production and the deterioration of the external situation have led to accelerating foreign indebtedness. Inflation has increased and problems have emerged in basic supplies. In this context, defence of national sovereignty against the counter-revolutionary war – openly supported by the US government – the destruction and imbalances which it imposes on the whole of society, and the reduction in sources of foreign finance create additional tensions and conflicts.

**The political
framework of the
transformation:
national unity,
mixed economy**

The Sandinista Popular Revolution has been characterised by its leadership as a democratic, popular and anti-imperialist process, based on a strategy of national unity and a mixed economy (see for example FSLN, 1981, *passim*). The adoption of this approach was due to the socially complex character of the victory over the Somocista dictatorship, in a situation of serious economic decline brought about by the defeat of the regime, the effects of the war and the flight of capital. The struggle against the dictatorship was characterised by the participation of a broad range of social groups, particularly in the final stages. This was a consequence of the growing isolation of the dictatorship from society and also of the political strategy of the FSLN, which sought and succeeded in gaining the support for its struggle of what ultimately became a vast range of social forces, including some elements of the bourgeoisie.

National unity was constituted on the basis of popular leadership expressed politically in the vanguard role of the FSLN. It called on the support of a broad spectrum of classes, groups and fractions for a democratic and anti-imperialist revolutionary programme in which the Sandinista leadership expressed and concretised the hegemony of the people. The bourgeoisie participated in national unity as a class which was *politically subordinated* to a hegemonic bloc of popular forces under Sandinista leadership. It also participated as a *disarmed class*: the elimination of the National Guard and the creation of the Sandinista Popular Army based on the FSLN veterans represented the loss of its military power as a class and the creation of a new military force which was an expression of the revolutionary programme.

But the strategy of national unity and a mixed economy was also a result of the very difficult circumstances at the time of the overthrow of the dictatorship: tens of thousands dead, hundreds of thousands of refugees, almost US\$2 billion in physical damage and financial losses (CEPAL, 1981). In these conditions national unity and the mixed economy were also a strategy for economic

reconstruction. Offering a place to the bourgeoisie within the revolution was seen as necessary not only to secure investment but also to guarantee an inflow of foreign aid. The *international community* was regarded as one of the four 'agents of National Reconstruction' in the first development programme of the revolutionary government, along with the *working people*, the *patriotic business sector* and the *revolutionary state* (MIPLAN, 1980).

Giving the non-Somocista bourgeoisie guarantees that their assets would not be nationalised was seen as a factor that would facilitate economic cooperation with Western Europe and some countries of America – particularly Mexico and Venezuela. At the same time such guarantees were made conditional on investment by these fractions of capital. Furthermore this was supported by an appeal to the workers to restrain their demands given the difficult economic situation, to raise production and to increase labour discipline (see, for example, Carrion, 1981; Tirado Lopez, 1984a).

In short, the national unity/mixed economy strategy implied the incorporation of a politically subordinated, militarily disarmed bourgeoisie, on the basis of their investment in the productive sphere and on international alliances that would result in foreign financing and technical assistance. All this occurred in a situation characterised by increasing levels of popular organisation and mobilisation, by political discourse – particularly in the early years – with clear class echoes, and a growing confrontation with the United States government. It is a bourgeoisie which has lost its political clout – at least directly – but retains its means of production.

The elimination of the National Guard and the creation of the Sandinista Popular Army, the growth of mass organisations and their active involvement in a variety of areas and tasks, the progressive shaping of a new state, are all parallel to and supported by the creation of the Area of People's Property (APP) which is intended to become the driving force of the economic transformation (Ruiz, 1980; Ramirez Mercado, 1980). This dynamic expansion would be complemented by policies to regulate private enterprise and, more generally, by the development of an effective capacity to direct and control private capital. Acceptance of these regulations and policies is the basic condition for capital's reproduction in the reconstruction period. In sum it is:

'that the bourgeoisie only produce, without power, that it be able to limit itself as a class to a productive role; that it limit itself to exploiting its means of production and using these means of production to live, not as instruments of power, of domination.' (Wheelock, 1983: 35)

The political conditions for the reproduction of the Nicaraguan bourgeoisie have been taken over. The question, from the point of view of the revolution, is whether the economic conditions provided by the revolutionary government will be sufficient to ensure the docility of the class and accumulation. In any event, this is a contradictory and unstable situation; the FSLN is aware of this, but assumes that the benefits it can produce in the struggle for economic development and national liberation are greater than the risks in terms of the development of the class struggle.¹ Class contradictions are subordinated, in the current stage, to the tasks of development and national defence.

Consequently the FSLN's strategy of national unity and a mixed economy is extremely dynamic. During 1979 and 1980 the democratic tasks of constructing a popular modern state, eliminating the last evils of Somocismo, and the challenges of economic reconstruction and development, were rich material for unity. From the beginning of 1981, when the growing hostility of the Reagan administration towards the revolution became apparent, the need to forge together the broadest possible array of classes and fractions around the defence of national sovereignty was converted into the central element of unity. Without neglecting the question of investment, the revolution paid increasing attention to the attitude of the bourgeoisie towards external aggression.

At first the lack of investment and decapitalisation by the bourgeoisie were interpreted as complicity with external aggression, but later the necessity, or expedience, of keeping these sectors within the national camp – even if only passively – and the need to challenge the counter-revolutionary forces and the United States for the allegiance of the bourgeoisie took precedence over the response of business to economic incentives provided by the state. With the increase in the counter-revolutionary war and threats of direct US intervention, the economic measures aimed at the private sector – particularly the agro-exporters – increasingly became *economic incentives for their political behaviour*, rather than investment incentives. While not unmindful of the latter, the revolution gave priority to maintaining the support of these sectors; the question of national sovereignty, rather than the tasks of development, has guided relations between the revolution and the bourgeoisie at least since 1983.

Under these circumstances the political content of this stage is made more intense and visible. The basis of unity is not so much class but political-ideological: support of the aims of the revolution. But given the clearly antagonistic forces involved, the reproduction of this antagonism as an alliance facing another antagonism which appears more urgent at this stage requires complex and delicate political leadership.

*Structure of ownership***The transformation of the economy**

The revolution has brought about rapid and profound transformations in the ownership of the means of production and exchange, with a *democratic and anti-oligarchic* content. The creation of the APP (Area of People's Property) began immediately after the victory of 19 July 1979. Decree No. 3 of 20 July, issued by the Government Junta of National Reconstruction (JGRN) ordered the confiscation 'of all the property of the Somoza family, the military and government officials who had left the country since December 1977', and Decree No. 38 of the same day extended this measure to 'persons linked to Somocismo'. These and other complementary decrees – such as the nationalisation of the financial system and gold and silver mining – affected Somocismo in particular, and foreign capital to a lesser extent, since foreign investment was very limited.

Amongst those expropriated were the banks, savings and loans companies, finance companies, insurance companies and warehousing and foreign trade in the traditional export products – coffee, cotton, sugar cane and meat. The foreign-owned gold and silver mines were nationalised as were fishing and lumber. 1.2 million manzanas of land (a little over 850,000 hectares) were affected by the agrarian reform including 28% of all farms of more than 500 manzanas, which accounted for almost 43% of the land owned by large landowners. Somocista capital in the textile, chemical and agrochemical industries was also confiscated, as well as in construction and engineering, and in air, sea and land transport.

The second period of growth of the APP began in 1981 when in the context of intensifying US pressures and the minimal business response of the private sector to the economic policy, firms engaged in decapitalisation were expropriated, as were the physical assets, securities and shares of Nicaraguans who abandoned property irresponsibly. Sugar distribution and the export of instant coffee, rum, spirits, concentrates and essences of liquors and various chemical and agricultural products – non-traditional exports accounting for approximately 10% of the total value of all exports – were nationalised. The confiscation of properties of anyone engaged in counter-revolutionary activities was also decreed. The agrarian reform also affected all estates of more than 500 or 1,000 manzanas – according to their location – abandoned or underexploited by their owners.

As a result of these measures 45% of the gross domestic product (GDP) in 1983 was accounted for by the APP, 33% by small owners and 22% by capitalist enterprises (large and medium). The *direct* share of the APP accounts for practically all

construction and mining (sectors which together make up between 4% and 5% of the GDP) while small individual and family holdings have the largest share in the agricultural sector producing for the domestic market and in services, and medium and large capital predominate in industry and agro-exports (see Tables 1, 2 and 3).

These measures resulted in a substantial democratisation of ownership, by drastically reducing the share of large capitalists, and by developing a social area made up of the property of the popular state (the APP) and the cooperative sector. They also meant greater access to the means of production for the small individual and family producers. Similarly these measures resulted in a considerable diversification of property relations.

There has not been a confrontation *in principle* with capitalist property. The focus of these decisions was more anti-oligarchic and anti-dictatorial than anti-capitalist. They basically affected Somocista property, idle or abandoned capitals or property exploited in a way that was not really capitalist. In general the prevailing approach has been more surgical, attempting to avoid a *class* confrontation, even with a capitalist class as primitive and politically uncivilised as the Nicaraguan one:

‘We have never said we are enemies of private enterprise nor are we in favour of its disappearance; what we claim in the light of our historical experience, is that the mixed economy must prevail here and the state must assume the governing role, since there is no other way of solving the great social and economic problems that confront the majority of the population. Private enterprise . . . cannot play a hegemonic role, because it is only concerned with profits and we would have no progress in education, health or social security; this would be to return to the past, to the law of the jungle, to every man for himself.’ (Tirado Lopez, 1984b)

The agrarian reform provides a good example of this. Its aims are to:

‘eliminate tenancy, extensive or inefficient exploitation of land [and] the brutal exploitation of peasant labour through share cropping, promoting production and productivity, guaranteeing the most suitable and rational use of the land, as well as soil protection and the best use of water and other natural resources.’

Consequently it ‘guarantees ownership of the land to all those who work it productively and efficiently’ (art. 1) and only affects idle, inadequately exploited or rented lands, of owners of more than 500 or 1,000 manzanas, depending on the region, and those that are not exploited by their owners but are given out

'[in various forms of tenant farming] or other similar forms of peasant exploitation, as well as through cooperatives and other associative forms.' (art. 2)

The Sandinista agrarian reform does not aim to nationalise the land, or to completely eliminate capitalist landholding. The mixed economy also reigns here. According to the Ministry of Agricultural Development and Agrarian Reform (MIDINRA),

'the agricultural sector will be shaped around four socio-economic sectors: a) the APP which should make up between 20 and 25% of the country's agricultural lands, concentrated in agroindustrial complexes and the most capital – and technology – intensive direct production; b) the cooperative sector which should account for around 40% of the agricultural area; c) the individual peasant sector, which will continue to receive the economic support of the Revolution while seeking its gradual evolution towards cooperative forms of production; d) the private entrepreneurial sector, sustenance of the mixed economy and national unity.' (MIDINRA, 1982: 18)²

The general backwardness of relations of production in the Nicaraguan countryside meant that this approach could alter the structure of ownership within a very short time (cf. Table 4). In a relatively short period the latifundios were reduced by two thirds and the social area – the APP and peasant cooperatives – were created on these lands. The *democratic and anti-latifundist* rather than anti-capitalist nature of the Sandinista agrarian reform is also evident from the fact that 63% of the total land affected by the law (some 420,000 manzanas between August 1981 and December 1983) consisted of idle or inadequately exploited lands; a further 18% was made up of indirectly exploited land – that is of leased lands or those farmed by peasant producers under other forms of tenancy – and the other 19% resulted from land being abandoned.³

The agrarian reform law provides for compensation for affected landowners except where land has been abandoned. Payment was to be made in agrarian reform bonds; the amount was fixed within 90 days of taking over the land on the basis of the value declared for tax purposes over the three previous years.⁴

The growth of the social property area has brought about important changes in class structure. In addition to the already noted reduction of the financial and latifundist oligarchy, the consolidation of small and medium individual, family and associative production has been developing during the past six years. The promotion of different forms of cooperative organisation in

the countryside and the city – production cooperatives, credit and service cooperatives, production collectives, production and defence collectives, etc. – widened the participation of the peasantry and artisans and consolidated their integration in the productive structure.

More than 80% of land covered by the agrarian reform since 1981 was distributed in the form of cooperatives, but only a third was in production cooperatives – in which the land is collectively owned – the remainder was in credit and service cooperatives and other forms in which the land is allocated on an individual basis to each family. State credit, technical assistance and other policies gave special support to these kinds of organisations (Vilas, 1984: 263–7). Nevertheless in 1984 there was a change in policy, producing ‘a real explosion of individual property titles’ (Wheelock, 1984: 26–7). There were several reasons for this shift, including political considerations which cannot be ignored. It is possible that the development of the war against the counter-revolution has encouraged a slowing down of the strategy of cooperative development, reducing the pressure for changes in the consciousness and demands of the peasantry in certain regions with more political work at their real level of consciousness, and a postponing of the growth of the cooperative sector in areas where defence is a priority. Furthermore, production cooperatives have been a primary target for counter-revolutionary attacks. The armed bands which infiltrate from Honduras attack these organisations, burning buildings, destroying machinery and killing peasants. This has intimidated many small producers who as a result prefer to receive the land individually.

The rapid consolidation of the peasantry and the development of these cooperative forms of production have also affected the structure of the agricultural proletariat. An important element in the labour shortages at harvest time for export crops – particularly coffee – is the possibility which the agrarian reform has created of repeasantisation for a relatively young proletariat, with a strong history of seasonal occupation. Unquestionably the war inhibits pickers from going to affected crop zones, but this effect only began to be felt in the 1983/4 agricultural year.

In 1981 UNAG (the National Union of Agricultural and Livestock Farmers) was formed in order to support small agricultural producers. UNAG has been very active in presenting the demands of this sector for better prices, credit, market access, land, technical assistance and supplies. Although more recently it has concentrated some of its activities on winning the support of sectors of the agricultural bourgeoisie, the major base of the organisation continues to be the small and medium peasants.

In the urban-industrial sector the promotion of small-scale

production has been less marked. On the one hand, high import coefficients, in a situation of growing limitations of foreign exchange, has strongly affected its development. On the other hand, economies of scale are important in a number of branches in which small industry operates, leading in some cases to low returns, inefficiency, high costs and poor quality. Nevertheless the Sandinista revolution has brought about major transformations in the structure of ownership of the means of production and exchange during the past six years. The APP and small individual and cooperative production provide three-quarters of the country's total output. This has created an objective alliance between these two sectors of the economy, which in some ways is an expression of the worker-peasant-artisan alliance which exists in the concrete conditions of the Nicaraguan revolutionary process. But at the same time it is evident that conditions exist for a 'counter-alliance' – an alliance between capitalists and small owners – which has played a major role in the failure of attempts at social transformation. It would not be an exaggeration to claim that many aspects of the counter-revolutionary aggression supported by the government of the United States are specifically aimed at ideologically winning over small owners to the counter-revolutionary camp.⁵

Development of the productive forces

Despite the growing foreign exchange limitations and the burden on the economy of defending national sovereignty – planned defence spending accounts for 40% of the 1985 government budget – the 1979–84 period has been characterised by a major investment effort. In all these years the state has been the main investor, while private investment contracted significantly, leaving the public sector to take charge of almost the whole investment (cf. Table 5). The high level of investment – for an economy such as Nicaragua's in the circumstances in which the transformations were initiated⁶ – and the changes in the structure of ownership and production led to a modest growth in real output (cf. Table 6). Despite a slowdown in growth in recent years, this contrasts favourably with the performance of the Central American economy as a whole. Between 1980 and 1984 the Nicaraguan GDP grew at an average annual rate of 3.3% compared to –0.2% for Central America. GDP per capita remained constant in Nicaragua (0.1% annual growth), while it fell at a rate of –3.5% a year in the region as a whole.

This expansion of the Nicaraguan economy was concentrated above all in agriculture, and, to a much lesser extent, in industry. There is also a slight tendency to reduced tertiarisation of the

economy in favour of material production; tertiary activities were reduced in real terms from 49% of GDP in 1980 to 47% in 1983/4.⁷

Imports of machinery and equipment for the agricultural and industrial sector doubled in value between 1980 and 1983, and the investment coefficient in the agricultural sector quadrupled in 1982 compared to 1978, while it dropped drastically in neighbouring countries.

This substantial investment effort, carried out basically by the revolutionary state, led to a relatively rapid recovery in agricultural production – except cotton and cattle – and in industry, in the growth of the road and communications networks, and therefore in the physical integration of the country and of the market. Despite the broad spectrum covered by investment in this first half decade, efforts were concentrated in two main areas: agriculture and energy; these also seem to be the dominant areas for the next five-year period.⁸

Agriculture is clearly the strategic sector in the development of the productive forces of the Sandinista revolution. *Food plus agro-exports* seems to be the slogan guiding development policy. This is a very important strategy even for societies such as Nicaragua whose socio-economic structure was formed by dependent capitalism. Even though agro-export capitalism was the means by which imperialist domination was exercised over Nicaragua, the productive forces were much more developed in agro-exports than in the rest of the economy, especially agriculture for local consumption. The gap between the two sectors was the basis of the superexploitation of the labour force which constituted another of the defining features of capitalism in Nicaragua (Vilas, 1984: 75, 79).

By opting for a strategy that overcomes this contradiction between agro-exports and domestic consumption, the Sandinista revolution also skilfully avoided the voluntaristic temptation into which other third world revolutions have initially fallen, that of neglecting the agro-export sector in favour of the domestic market. The strategy of *food + agro-exports* implies a different kind of development, based on satisfying the basic needs of the popular majority, through the utilisation of installed capacity inherited from the pre-revolutionary period and by its further development. It therefore implies a transformation of the dominant relations of production and a reinsertion of the national economy in the international division of labour – the search for new markets, achieving better marketing conditions, etc.

This style of development requires a large dose of capital-intensive investment, in technology and in the use of soils, and a high level of technical training for the labour force. It involves a marked change in the location of productive activities, breaking

with the allocation of resources brought about by dependent agro-export capitalism. It aims to achieve substantial diversification of production – initially in agriculture – and greater inter-sectoral integration of the economy. It is therefore a medium- to long-range strategy in that it supposes, and leads towards, a structural transformation of the kind of economy that existed previously, and that still resists many of these transformations.

Table 7 shows the recovery in agricultural production during the first six years. It can be easily seen that despite the brief time span, the strategy is having positive results in terms of the recovery in the volume of production.

The performance of the export sector, on the other hand, has lagged behind; the value of exports has fallen systematically and it has still not been possible to regain pre-revolutionary levels. This is undoubtedly due to the negative terms of trade throughout the period, but there has also been a marked fall in the physical volume of production for export. We will return to this point.

Although the strategy being promoted is based on a mixed economy, and in fact tries to consolidate it, it is clear that up to now most investment has been undertaken by the social sector of the economy, especially the APP. Apart from cattle, where several factors have affected development,⁹ the only category which has still not regained earlier levels of output is cotton, the crop in which the presence of agrarian capitalism is strongest. On the other hand, the crops that have performed best are those in which the APP and the peasantry – particularly peasant co-operatives – have the largest share.¹⁰ Table 8 shows the contraction of the large cotton bourgeoisie. In the context of a slow recovery in the area under cultivation, only the expansion of small producers, and to a lesser extent of the APP, resulted in a certain growth, while the cotton bourgeoisie reduced the amount of land they planted.

This behaviour is taking place despite the price incentives, the exchange-rate and interest-rate incentives which the revolutionary government gives the producers, and others that will be mentioned in the following section.

The recession of the large cotton and cattle producers (second and third export categories respectively) contrasts with the irregular behaviour of the large sorghum producers. The coffee bourgeoisie, for its part, has maintained its plantations, but has not done any cultivation work, and as a result productivity has fallen (MIDINRA, 1984).

In the industrial sector there is also a difference between the relative dynamism of the APP and the contraction of the bourgeoisie. Taking 1980 as 100, industrial production by the APP

reached 164 in 1983, while that of the private sector was 97.

Within this general picture of capitalist recession, the positive response of the large producers of rice and sugar stands out (see Table 5).

A significant part of the public investment effort is supported by external financing. Even if the strategy of national unity and a mixed economy did not result in the response expected from the Nicaraguan bourgeoisie, it did result in foreign cooperation. Nevertheless the role of the latter should not be exaggerated. External financing explains *one part* of the growth and transformations in the first five years, but *not all*. Domestic savings have increased in importance, especially in recent years. The domestic savings ratio jumped from 47.8% in 1981 to 86.6% in 1983, and the foreign opening of the economy was reduced 23% between 1980 and 1983, from 67% to a little over 51% (Vilas, 1985).¹¹

The growth of the material productive forces has had as its counterpart the development of human productive forces. The emphasis on satisfying the basic needs of the popular majorities led to an improvement in the standard of living of the population. Table 9 shows the growth of per capita consumption of a dozen basic products; overall the level of per capita consumption increased by 25% during the whole period; excluding the two categories where there had been no improvement, it was 33% better. It should be pointed out, however, that the problems of providing basic products experienced over the most recent years had a distorting effect and make the national average less representative. The supply of basic goods in the rural areas is generally less satisfactory than in the urban areas.

The growing external restrictions and the impact of the counter-revolutionary war has not impeded the allocation of a high percentage of the government budget to the social sector, and specifically, to those categories that contribute to the expanded reproduction of the labour force: education and health. Between 1980 and 1983 spending in these two areas was kept at around 9% of the GDP; adding the spending on culture and housing the total reached around 11% of national output (FNUI, 1984). The National Literacy Crusade, the programme of Popular Education for Adults, the increases in school enrolment, the struggle against drop-outs and repeaters, massive school construction, the increased number of teachers, and the expansion in technical teaching are all aimed at raising the basic educational level of the masses, both from the point of view of their involvement in production and their ability to carry out their role as active agents of revolutionary power. In the same way the popular health campaigns have eliminated or severely controlled the

squandering of human resources through endemic diseases, infant mortality etc., eliminating situations of flagrant social injustices.

Nevertheless, in recent years, particularly since 1985, the impact of internal and external disequilibria on government finances, and the growing war effort have led to drastic cuts in social expenditure, reducing them to minimal levels.

Trade union organisation has expanded rapidly. The number of trade unions increased from a mere 138 unions in 1979 to almost 1,200 at the beginning of 1983, with nearly 210,000 affiliated workers – a unionisation rate of almost 35% of the wage earning population (Vilas, 1984: 251). This growth has taken place in the context of increasing participation by the labour movement in the management of firms, political vigilance over the economic behaviour of the bourgeoisie and the managers of APP enterprises, and a wide variety of activities to which we shall refer shortly.

The labour process

The development of the productive forces and the transformations in the relations of ownership and production have also brought about changes in the labour process, in favour of more advanced forms of cooperation.

One of the characteristic features of dependent capitalism in Nicaragua was the primitive nature of its relations of production and of the modes of labour service. In the countryside individual labour or very simple forms of cooperation predominated – generally nothing more than family labour. They involved high levels of manual work, or else the use of very simple tools which were, in fact, a material extension of the physical effort and dexterity of the worker. Mechanisation and irrigation were little used. In the cities, the limited development of manufacturing industry left ample room for artisan production, which also had very basic levels of cooperation and complexity and a strong family component. In both cases the labour was characterised by its relative simplicity, the absence of complex cooperation, and a marked isolation of the direct producers from each other – frequently experienced as competition. The limited structural differentiation of the economy also permitted the reproduction of a close and generalised articulation of production and circulation within the activity of the individual or family producer.

The socio-economic development policy of the revolution has in various ways promoted more complex and advanced forms of cooperation, and higher levels of productivity. The best-known aspect of this is the promotion of production cooperatives, and cooperative organisation generally. Practically non-existent before

the revolution, by the end of 1982 there were almost 2,900 cooperatives with around 65,000 members. Membership is voluntary, although various agricultural development policy instruments indirectly stimulate this option. In any case it is a slow process, which must overcome many of the ideological characteristics still common among a substantial part of the Nicaraguan peasantry; at present about 45% of the peasantry are organised in cooperatives.

Various forms of workers' participation in the firms where they work have also been developed, both in agriculture and industry, in both cases basically in the APP. With unequal levels of development such participation has, to differing degrees, favoured democratisation of management, a certain increase in productivity, and the introduction of significant innovations in production. Although there are a variety of forms and areas of workers' participation, generally the main ones involve discussing the firm's targets and technical plans, working conditions, especially regarding health and safety, labour discipline criteria and training etc. This process is developing in the midst of economic difficulties caused by the impact of the international crisis and the war. But it is also true that many of these experiences of participation have had to confront some reluctant APP managers, who tend to reproduce the worker-employer relations of the private sector (Vilas, 1984: 266ff). Labour productivity has increased, but this occurred basically in the industrial sector; the physical productivity of labour grew rapidly after the victory of the revolution and by mid-1981 had recovered to 1977 levels (Vilas, 1984: 293 et seq.). In the agricultural sector, on the other hand, there has been a fall in productivity, together with the already noted tendency towards a degree of re-peasantisation of the workers (CIERA, 1982; Wheelock, 1984: 110).

One of the most difficult problems in any revolutionary process is the development of criteria of labour discipline and productivity not based on the exploitation of the workers or the threat of dismissal. This is particularly complicated in a mixed economy with an important capitalist sector, where there is ample room for these criteria to be reproduced or even to extend into the social area of the economy. It is not surprising therefore that these criteria sometimes appear in APP enterprises or within the revolutionary government itself, as technocratic or efficiency-obsessed survivals. Given the uncooperative or directly recessionary behaviour of the greater part of the bourgeoisie, the need to base the economic effort on the working class should not imply recourse to traditional managerial criteria of labour efficiency or productivity.

On the other hand, the very characteristics of the labour

process in many sectors of the economy – technological backwardness, limited spread of mechanisation and mass production, etc. – do clearly imply that the productivity of labour is based on subjective and individual factors; this may be one of the reasons why the greatest problems with productivity to date have been experienced in agricultural production.

The revolutionary transformation of Nicaragua has advanced in these six years in the midst of internal tensions and contradictions and an international economic crisis and military aggression. In economic terms these appear as a contradiction between the sphere of production, in which the APP and small producers play a leading role in the process of recovery and change, and the sphere of circulation, in which the influence of the bourgeoisie and international capitalism continue strong. In political terms, they are manifested as a contradiction between the political subordination of the capitalist classes to a popular, anti-imperialist hegemonic bloc, and what is expected of them in economic terms.

As far as the economy is concerned, the first six years of the revolution were characterised by a process of growth whose features have already been discussed, together with rapidly increasing foreign indebtedness. The growth of output, including the recent slow down, was carried out by means of a major increase in foreign debt, which doubled by 1983 compared to the beginning of the period. This indebtedness is, partly, a political strategy: given the many urgent tasks which had to be faced in the early days, foreign financing made it possible to quickly resume investment while at the same time satisfying the most urgent consumption, health and educational demands of the masses. In this respect Nicaragua's foreign indebtedness is quite different from that of a number of other countries in the region. But it is also the result of the structural operation of the Nicaraguan economy; evidence of the survival of features inherited from the pre-revolutionary period, as well as some of the objective consequences of the already noted influence of the agro-export bourgeoisie.

Table 10 shows the evolution of the external sector between 1977 and 1984. The most striking feature is the harmful involvement of the economy in the international system, indicated by the constant deterioration of the terms of trade. What is also clear is the failure of the export sector to regain previous levels and the heavy dependence on imports that are difficult to reduce below a certain minimum which already seems to have been reached. It is also obvious from a strictly technical economic point of view that

Tensions and contradictions

this kind of structure must be changed both internally and externally. The strategy developed by the revolution of productive transformation and reinsertion into the international market is an attempt to resolve these contradictions.

The slow recovery of exports is due to a number of factors: fluctuating export prices with an unfavourable trend, the evolution of the productive cycles in agro-exports, and the impact of the war on some crops. But, without a doubt, the contractionary behaviour of the local bourgeoisie, which still controls an important part of agro-exports, has had a strong impact on performance. It is therefore true to say that, despite all its limitations, the levels that have been reached are due in practice to the efforts of the social area of production.

This drop-out behaviour by the capitalist class has been possible up to now because of the state's limited control over the areas in which capital operates. This limitation has been particularly marked in the sphere of circulation, which since mid-1982, and above all since 1983, has seemed to operate completely independently of government policy. In fact it appears that the economic authorities began to be concerned about circulation rather late in the day, when a network of obstacles to the policy initiatives, which were concentrated in the sphere of production, had already been created. Similarly the initial period of state economic management demonstrated a virtual obsession with the long term—coinciding with the desire to transform reality—to the neglect of short-term variables. This, together with the lag between the growth of investment and the recovery in production, led to a major fiscal-financial disequilibrium within which capitalist reproduction would have to operate in the period after the Sandinista victory.

Table 11 shows the evolution of the liquidity coefficient between 1979 and 1984. It is clear that its rapid growth is a result of the rapid expansion of the money supply, which grew by more than 145% in real terms during the period, while liquid assets grew by 87%. Government expenditure and incentives to private capital have been a major factor in this expansion. The former has gone through successive readjustments since 1982, and was ultimately strictly controlled in 1985; the latter has continued, and has even grown, despite the lack of a significant response from the large producers. In 1983 the amount of additional income received by the producers as a result of these incentives was C\$1,704 million, or 42% of the value of exports.

The growing balance of payments deficit, the slow recovery of production as a result of the reluctance of the capitalist sector, the need to expand popular consumption in order to make up past deficits, the domestic impact of the international crisis, and

the inevitable disequilibria in any process of structural transformation, generated inflationary tendencies that had existed in a disguised form since before the revolution but which, for the reasons mentioned, came out into the open from 1980–81.

The low level and slow growth of the inflation index prior to the revolutionary victory – with the exception of 1979¹² – was due to the fact the index was kept down by reducing popular consumption to levels of extreme misery and want. The unequal income distribution and social exploitation acted as control variables on the price system. When the political system that served as a guarantee and a way of reproducing this strategy fell, the structural inflationary tendencies erupted before a new structural model could replace the old one. Under these circumstances the acceleration of inflation created a space for income transfers from the productive sectors to the unproductive ones, and from wage earners to non-wage earners, which encouraged the expanded reproduction of unproductive capital and contributed to a real reduction in workers' incomes – particularly those of blue-collar workers – despite the explicit aims and the political will of the revolution.

Between 1980 and 1984 the consumer price index rose by more than 165% overall, and showed a tendency to accelerate. This highly inflationary situation favoured the development of a movement of capital and incomes towards the intermediary, or middlemen, sector, outside official or legal channels of circulation. A dynamic parallel market was thus created, supported by the growing over-monetisation of the economy and the inefficiency of official controls.

The creation of parallel channels for the circulation of commodities is common in the early stages of any revolutionary process and generally whenever there is an effort to establish price controls to benefit the popular classes. Perhaps the specificity of the parallel market generated in Nicaragua in 1981–82, and which boomed in 1983 and 1984, is that a substantial part of the monetary mass mobilised in it was done through *open and small-scale* intermediation. The unequal development of the inflationary process between wholesale and retail prices, with the latter rising much faster, leads to the appropriation of monetary surpluses by those who operate at this level. This means that a very broad social strata exists within the structure of Nicaraguan society – particularly in the urban sphere – that is operating through these objective capitalist mechanisms.¹³ More than a quarter of the 'official' GDP – or a year and a half of exports – has circulated through these channels in 1983 and 1984, despite the wishes of the government and, of course, beyond its effective control.

In these conditions the policy of controlling money wages

that was applied during most of the period led to a drop in real wages – 34% cumulatively between 1980 and 1983. As often happens in an inflationary situation, the easiest price to control is that of labour power. This does not, however, imply a similar deterioration in the consumption capacity of the workers. The growth in per capita consumption of basic products (cf. Table 9) was possible through a policy of subsidies to producers which, in practice, meant channelling part of government expenditure to benefit consumers.

Table 12 shows that, in the context of a sharp reduction in private consumption, it was possible to achieve a relatively stable level of basic consumption, while non-basic consumption was drastically reduced. In so far as different kinds of goods are consumed by different social classes and groups, the policy of defending the real consumption of the popular classes has clearly gone hand in hand with a reduction in the consumption of classes with higher incomes.

The development of this parallel system of prices and commodity circulation can be interpreted as a consequence of an increasing implicit, and in part explicit, dollarisation of the Nicaraguan economy. In other words, it is a result of the presence of international prices within the Nicaraguan economy. The subject has been analysed in some detail elsewhere, so here we will only reiterate the main points (cf. Vilas, 1985).

Since 1982, and particularly in 1983 and 1984, the dollar has become an exceptionally profitable investment, despite attempts by the economic authorities to control it. There is no other investment anywhere in the national economy which provides a rate of return comparable to the dollar in the parallel market: in 1984 alone this currency increased almost 350% in value. In such circumstances it is not surprising that the parallel exchange rate has become a kind of implicit pattern of values in the Nicaraguan economy. It is also likely that this is the main destination of surplus generated in the private sector.¹⁴

The social breadth of the mechanisms of commercial intermediation, the extent and growth of the so-called *informal sector*, the initial lack of experience of the new state apparatuses, all operated so that this dollarisation enabled a certain level of imported goods to the domestic market to be maintained, despite the fact that foreign exchange was not assigned to it by the economic authorities. As a matter of fact, there is ample evidence that one of the principal sources of supply for the parallel circulation of commodities are transfers from official circulation channels, where prices are controlled, to parallel channels, where prices are clearly based on the parallel exchange rate. The realisation of commodities at parallel market prices permits their

conversion into dollars, which are then used to import non-basic goods. It is evident that in Nicaragua imports are not only consumed by the wealthiest classes, but that they are also bought by the popular sectors.¹⁵ In any event it is a mechanism that retards the achievement of the economic objectives of the revolution, transfers income to non-priority sectors – to put it mildly – turns the national currency into a mere symbol and perversely reproduces the dynamic of capital. It is a perverse reproduction in practice because it is not even the reproduction of productive capital, but of the most parasitic forms of capital.

The independence of the price system from the sphere of production also affects the class structure, particularly the proletariat. The growth of the so-called urban informal sector, especially in petty intermediation, and the high incomes that can be obtained compared to the level of real wages in the productive sector, encourage a transfer of labour into these activities, and an absolute reduction in the urban proletariat; in 1982 alone some 30,000 workers left the working class to become self-employed in petty commerce, repairs and the like, and the movement has continued since, although detailed figures are not available (for a fuller discussion of this theme, see Vilas, 1984: 347–8 and Table VII.7). In the urban economy these mechanisms have generated or strengthened effects parallel to the tendency towards repeasantisation of sectors of the rural proletariat, mentioned above.

On the other hand, such rapid growth of the sphere of circulation, its marked independence from production and government policy, and the profit levels that can be obtained, are promoting the development of a new kind of bourgeoisie from amongst strata of intermediation capital, that is not merely small scale and is beginning to have its own characteristics in the urban social structure.

As was indicated at the outset, the strategy of a mixed economy and class coexistence adopted for the reconstruction period involves the political subordination of the bourgeoisie and the maintenance of a capitalist area in the productive sphere in which this class is expected to play an active role. In other words, the strategy envisages expanded reproduction of productive capital in conditions of political subordination and loss of military power. According to the analysis so far, however, the result has tended to be *simple reproduction of productive capital and expanded reproduction of speculative capital*.

Simplifying things somewhat, this is a result of three principal factors: 1) the political wishes of the capitalist class; 2) the objective behaviour of the economy and, consequently, the still limited control and management capacity of the revolution in this area; and 3) the contradictions and limitations of a mixed economy

itself.

The first element is related to the class fears of a bourgeoisie faced with a popular and anti-imperialist revolutionary power, in a political system in which military power is in the hands of a popular army, and in which there are high levels of mobilisation and organisation of the masses, a trade union movement that demands fulfillment of their rights, and a degree of confrontation with the United States government – their traditional ally and support – never dreamt of even in their worst nightmares. However much the development strategy of the revolution genuinely intends to provide a space for capital, in which the central issue for the bourgeoisie should be ‘to understand this revolution politically and its own role in it’,¹⁶ the fact is that, for a bourgeoisie such as this one, the political system is not attractive. A capitalism with strong unions and state controls could perhaps be attractive to a bourgeoisie of the European type, although even here it remains to be seen. But it is definitely not for the kind of bourgeoisie that developed historically in Nicaragua, under the protection of the dictatorship, the US Embassy, and the merciless exploitation of the workers.

The second aspect reflects the objective operation of the law of value in the Nicaraguan economy. In so far as intermediation offers higher profit rates than production, capital will be attracted; and even more so when the return on investment can be obtained much more quickly than in productive investment. A further consideration for at least some members of the bourgeoisie is the political strategy of undermining the revolutionary programme in their own sphere of activity. Up to now the government’s response has been threefold: confiscating the capital of those who collaborate with the counter-revolution; increasing the incentives and stimuli to productive, and truly capitalist, behaviour by the bourgeoisie, even to the extent of converting the economic stimuli into incentives for large producers to remain within the bounds of national unity; and finally, offering an alternative to the perverse dollarisation of the economy, by providing part of the price of certain export products in dollars at the official exchange rate.

The last of these indicates the influence which the active presence of bourgeois fractions has on a strategy aimed above all at satisfying popular basic needs. The concept of basic needs is not neutral; it is socially determined and what is understood as basic needs in each concrete case results from a political strategy based on class criteria. The basic needs of the working classes are not those of the bourgeoisie or the middle sectors. Therefore keeping fractions of the national bourgeoisie within the scheme of national unity and a mixed economy implies having to satisfy at least some of the needs of this class. These needs are, of course,

much more expensive and sophisticated, and involve a higher import content, than those of the popular classes. The guarantee of rice and beans means little to a class with a complex consumption pattern, strongly influenced by the consumerism of the US middle class. This does not mean, as is sometimes thought, that these groups consume only luxury goods, and that it is therefore necessary to import French wine with subsidised dollars to keep them happy.¹⁷ What should be pointed out here is that the maintenance of capitalist sectors in the sphere of production implies the existence of a capacity to realise the surplus that is generated and, as a result, the diversion of part of the social surplus towards this kind of consumption. In a situation of the kind that exists in Nicaragua, with a withdrawal from production of the large bourgeoisie, growing difficulties in the fiscal-financial sector, and severe import restrictions due to a lack of foreign exchange, this inevitably results in a transfer of income to capital.

The impact of the war that Nicaragua has had to face for at least three years must be analysed in the context of the tensions and contradictions of the revolutionary process. On the one hand, there is the severe impact on the economy of the destruction of assets, the fall in productive activity, and the disequilibria in the labour market, the diversion of human, material and financial resources, etc. (cf. Wheelock, 1984: 138–40; Vilas, 1984: 369–71). The cost of the war, in these terms, is enormous, particularly for a country that has just emerged from a war of liberation, and which suffered a major natural catastrophe – Hurricane Alletta – less than four years ago.

Above all, the impact is significant because this is not a conventional war, but a class war. If all wars are political, this one is profoundly so, in that it pits two class projects against each other in the most extreme way possible: on one side, the people and the revolution; and on the other, the government of the United States and the Somocista National Guard. There is no other position either in the middle or outside, and everyone, actively or passively, plays a part in this basic confrontation.

In these circumstances, it is no exaggeration to claim that the disequilibria which have developed in the mixed economy are, as a result of their scale and the possibilities of loss of control over important spheres of activity, not only economic problems, but also involve issues of national security. In any event it is relevant to ask to what extent the growing independence of circulation from production and the economic authorities renders the revolutionary process vulnerable; and to ask what happens to the enormous quantity of money appropriated by groups that, in sociological terms, are close to some sectors of the popular classes, but are objectively carrying out the tasks of capital. In the final

analysis, it is appropriate to look at the political and economic cost, in this class war, of the policy of subsidising a class, or elements of it, which by failing to play their part in the productive sphere, are objectively preparing the ground on which the enemies of the revolution operate.

Recently the revolutionary government has decided to tackle these problems basing its approach on demand deflation. This involved a large reduction in government expenditure through the removal of subsidies, cuts in social spending, stricter control of credit and higher interest rates. There was also a large devaluation and the introduction of a multiple exchange rate system; given the impossibility of controlling the black market in foreign exchange, a decision was taken to compete with it by creating a free market rate which would be closely linked to the black market rate. The tax burden was increased, extending taxation to small businesses, the self-employed, professionals and rentiers; steps were also taken to control speculation. Production subsidies were almost totally abolished; instead large price increases were granted. There were also large increases in the rates charged by public utilities, as well as the price of fuel and all other goods whose prices were controlled by the government. Attempts have been made to offset the effects of these measures on the real incomes of workers by increasing money wages and improving the distribution of basic goods.

Attempts had been made to introduce such a policy at least since mid-1983, but the opportunity and the internal power to do so had been lacking. The alarming growth of disequilibria during the second half of 1984 – particularly the massive flow of money capital into dollar speculation – the increasing military activity and the fact that important foreign debts were about to fall due, created the conditions in which the new approach could be introduced.

It is still difficult to evaluate the effects of these measures. Generally, so far there have been two main effects: 1) Income transfers have been redirected towards the public sector, which has in the short term helped to improve government finances. Throughout the previous period, the revolutionary state transferred income to the private sector (cf. Vilas, 1984: ch. VII); in a way the state is getting its own back. 2) The general price level has increased sharply – preliminary estimates put the increase at between 280% and 300% in only three months – while wages rose by an average of 155%. Despite the government's intentions, wage earners have again borne the brunt of the adjustment. On the other hand, increased prices to producers have raised the incomes of important sectors of the peasantry.

Although the link is not obvious, it should also be mentioned

that a few months after these measures were introduced, Nicaragua obtained an extension of the period within which its most pressing foreign debts had to be paid.

The most obvious consequence of the revolutionary transformation of Nicaragua after six years is the profound commitment of the popular classes – particularly the workers and youth – to the Sandinista Popular Revolution. The growth and transformation of the economy, the break with dependency and the defence of national sovereignty are undoubtedly the result of the discipline, sacrifice and revolutionary commitment of the popular majorities and a political leadership that has known how to avoid the most serious obstacles of this stage.

The period also shows the reluctance of most fractions of capital to undertake commitments that guaranteed their integration in the reconstruction stage, at considerable cost to economic growth and the wellbeing of the masses.

The revolutionary leadership's management of these tensions and contradictions, the growth of production through the efforts of the workers and small producers, and through foreign co-operation in the early years, enabled some of these contradictions to be overcome and others to be postponed, although at a high cost in terms of adding to the structural factors that have fuelled foreign indebtedness and the acceleration of inflation.

The first six years generally show satisfactory achievements by the revolution in the productive sector, with profound disarray in the fiscal-financial sphere. There was a real and drastic withdrawal of capital from the productive sphere, but it has been able to shield itself in the sphere of circulation, even gaining the support of layers of small business – sociologically closer to the working classes than to the bourgeoisie – and some strata of urban wage earners. This is not the first time that this has happened in a process of revolutionary transformation, whether of national liberation or of transition to socialism, although in general it is little studied and even less often anticipated (see Griffith-Jones, 1981; Wuyts, 1984 on this). Normally, in the early years of revolutionary construction, the stress is on material production and the long term which leads to a neglect of the financial variables and the short run, leaving these areas to the action and reaction of capital.¹⁸ When revolutionary power finally pays attention to such issues, what were initially disequilibria have usually turned into an enormous problem.

The viability of the agroexport strategy is put in question by the sharp fall in export earnings and the rapid growth of foreign indebtedness. The reluctance of the bourgeoisie to invest, as the

Final considerations

revolutionary government had hoped, has played a significant part. Despite this, economic incentives continue to be offered primarily to this sector. As a result, the strategy of national unity and a mixed economy – which is clearly a policy of class conciliation – has affected different classes and social fractions unequally. The landed oligarchy and those fractions most closely linked with Somocismo and most backward in terms of organisation of production generally were hardest hit. The incomes and living standards of the peasantry and the working class have been under pressure. Least affected have been those fractions of the agrarian and commercial bourgeoisie which decided to stay in the country rather than emigrate to the United States or another Central American country.

Consequently, whereas initially the strategy of national unity and a mixed economy, and the foreign support which came with it, was presented as a means of economic recovery, now it is obvious that this strategy is part of a defensive approach: it is not a path to development but a means of survival. Breaking with the bourgeoisie in response to its negative behaviour – that is to its position in the class struggle – could result in a break in relations with Western Europe and democratic governments in Latin America, according to the FSLN's political analysis, leading to further international isolation for Nicaragua, without improving the chances of closer links with the socialist bloc.

Nevertheless, it is obvious that these foreign links are not costless and that there is a price which has had to be paid by the Sandinista revolution, which is basically borne by rural and urban workers, in other words by the same sectors which contribute physically in the struggle against the counter-revolution. On the other hand, the reaction of these allies to the recent introduction of a state of emergency, as part of this struggle, shows that these alliances are not unconditional either.

This is a revised version of a paper delivered at the Sixth Central American Sociology Conference (Panama City, 25–9 March 1985). The author is grateful to Judy Butler for her translation of the original Spanish version, and Trevor Evans for his insightful comments on an earlier version.

1. 'The contradictions generated are less important than the solutions that they provide in the struggle against the common enemy. The internal contradictions at the level of social classes are less important than the material achievements in reconstructing the base of the national economy.' (Wheelock, 1981.)
2. Cf. MIDINRA, 1982a: 18. See also the declarations of the minister of MIDINRA, in ATC (1980: 38-9); id. in *Barricada*, 25 April and 20 June 1982; *El Nuevo Diario*, 15 August 1983 and 26 November 1984.
3. Decrees 230 and 263 of January 1980 were a major blow to land-owners, drastically reducing land rent.
4. Cf. MIDINRA, 1982b. It is still not possible to evaluate the financial cost of the agrarian reform in terms of compensation. The author's impression is that generally speaking the criteria were applied generously on a case by case basis, in an effort to avoid violent confrontations.
5. Cf. for example the following paragraph from a speech by the then president of the Supreme Council of Private Enterprise (COSEP): '... we consider any person who creates a good or service for the community in an organised way to be an entrepreneur, regardless of size. This includes the woman who sells in the popular markets as much as those who produce, the man who runs a small store as much as the one who runs a supermarket chain.' *La Prensa*, 18 March 1983. The strategy of psychological action of the recent 'CIA Manual' is also designed within this approach. Perhaps one of the experiences in which this ideological competition appears strongest is that of the Popular Unity in Chile: see, for example, the speech of the then economics minister to small and medium businessmen: 'You and not the monopolies constitute the private area' (Vuskovic, 1973).
6. Throughout the period 1980-83, the rate of investment averaged around 20% of GDP - reaching 24% in 1981 - but in 1983 it dropped to less than 17%.
7. Elaboration of MIPLAN figures; the 1984 figure is estimated.
8. A little more than half of the external financing requirements for the period 1983-87 correspond to agro-industry, agriculture and energy.
9. The reduction of the herd was explained mainly by the smuggling of cattle across the border: first by the Somocista cattle ranchers or by ex-National Guard robberies in the last stages of the war of liberation and just after the Sandinista victory; later, to obtain the better prices offered in Honduras and Costa Rica. On the other hand, clandestine slaughter is still high, although it is difficult to put an exact figure on it.
10. In the case of coffee, in which peasant participation is very important, the fall in production in recent years seems to be due to the fact that a number of coffee zones are also war zones.
11. Nevertheless in 1984 the domestic savings ratio fell to 36%.
12. Inflation in 1979 (retail price index) was almost 50% due to the effects of the war.
13. In 1982 (the latest available figures) 32% of the economically active urban population was engaged in commerce (some 95,000 people), of which 85% were in the so-called informal sector. Self-employed workers constituted 60% of those involved in commerce, and 70% of those in the informal sector. Cf. INEC (1983).
14. Take the following example: an investment of C\$500,000 in December 1983 in the parallel dollar market was equal to US\$4,630. A year later, this same quantity of dollars purchased C\$1,600,000 in the

same market. Assuming the initial cordoba investment was made by taking out a 'high' interest loan at local market levels – for example, at 24%, the interest rate for non-essential commerce, the deal would reap a profit of 198% without any risk.

15. This is due to the limited industrialisation of the economy and to the scheme of regional integration within which the growth of industry was framed. A wide range of food and other goods used and consumed widely – personal and household cleaning products, for example – are imported.

16. As suggested by the Vice-Minister of MIDINRA, Manuel Coronel (1984) for example.

17. As some managers of commercial enterprises in the APP seem to think.

18. This tends to generate a kind of vicious circle in economic ideology: given that only bourgeois economists and capitalist financial organisations are concerned about fiscal-financial variables and the short term, the ideology and the interests of these agents are transferred to the object of their reflections, and the problematic itself is automatically converted into a 'bourgeois', 'IMF', and finally, *reactionary* one. It therefore only arouses the interests of bourgeois, IMF-type and reactionary economists. Some parts of the revolutionary state were not immune from this kind of reasoning initially. And, as has also often occurred, the most fervent partisans of that attitude later show a tendency to analyse everything in exclusively fiscal-financial terms and to focus entirely on the very short run.

- ATC (Association of Rural Workers) (1980) *Memorias de la Asamblea Nacional Constitutiva*, Managua, ATC.
- Carrion, Luis (1981) *El patriotismo: Base de la Unidad Nacional*, Managua: Departamento de Propaganda y Educacion Politica del FSLN.
- CEPAL (Economic Commission for Latin America) (1981) *Nicaragua: El impacto de la mutacion politica*, Santiago de Chile, United Nations.
- CIERA (Center for Research and Studies of Agrarian Reform) (1982) *Situacion de la productividad en tres actividades (cafe, algodón y ganaderia)*, Managua, CIERA, June.
- Coronel, M. (1984) 'Una estrategia para superar la dependencia y el subdesarrollo', *Revolucion y Desarrollo* 2, July–September, 9:15.
- FNUI (United Nations Children's Fund) (1984) *Analisis de la situacion economico-social de Nicaragua*, Managua: UNICEF/CPS/MIPLAN, July.
- FSLN (Sandinista National Liberation Front) (1981) *Habla la Direccion de la Vanguardia*, Managua, DPEP del FSLN.
- Griffith-Jones, S. (1981) *Finance in the Transition to Socialism*, London: Frances Pinter Publishers Ltd.
- INEC (Nicaraguan Institute of Statistics and Census) (1983) *Encuesta nacional de Hogares Urbanos, 1982*, Managua: INEC.
- MIDINRA (Ministry of Agricultural Development and Agrarian Reform) (1982a) *Tres Anos de Reforma Agraria*, Managua: MIDINRA.
- MIDINRA (1982b) *Marco juridico de la reforma agraria nicaraguense*, Managua: MIDINRA.
- MIDINRA (1984) 'Informe de la gestion estatal del MIDINRA a la JGRN (1979–1984)', *Revolucion y Desarrollo* 1, April–June, 15:29.
- MIPLAN (Ministerio de Planificacion) (1980) *Programa de reactivacion y emergencia en beneficio del pueblo*, Managua: MIPLAN.
- Ramirez Mercado, S. (1980) Speech published in *Barricada*, 8 July.
- Ruiz, H. (1980) *El papel politico del APP en la nueva economia sandinista*, Managua: SNPEP del FSLN.
- Tirado Lopez, V. (1984a) Speech published in *Barricada*, 20 November.
- Tirado Lopez, V. (1984b) 'Alcanzar la paz para desarrollar la economia', *Barricada*, 17 December, p. 3.
- Vilas, C.M. (1984) *Perfiles de la Revolucion Sandinista*, Buenos Aires: Legasa.
- Vilas, C.M. (1985) 'Unidad nacional y contradicciones sociales en una economia mixta: Nicaragua 1979–1984', in R. Harris and C.M. Vilas (eds), *La Revolucion en Nicaragua*, Mexico: ERA.
- Vuskovic, P. (1973) 'Ustedes y no los monopolios constituyen el area privada', *Realidad Economica*, Buenos Aires, 13, June–July, 105:119.
- Wheelock, J. (1981) 'Logros y perspectivas de la economia sandinista', in *La Direccion Nacional en el Primer Encuentro Internacional en Solidaridad con Nicaragua*, Managua: DPEP del FSLN, 53:87.
- Wheelock, J. (1983) *El Gran Desafio*, Managua: Editorial Nueva Nicaragua.
- Wheelock, J. (1984) *Entre la crisis y la agresion. La Reforma Agraria Sandinista*, Managua: MIDINRA.
- Wuyts, M. (1984) *Money in the Context of Socialist Transition: A Case Study of the Mozambican Experience*, Institute of Social Studies (typewritten).

132 **TABLE 1**
Structure of production by type of ownership
(in % of GDP)

Category	1977				1980				1983		
	Private sector			APP	Private sector			APP	Private sector		
	State	Large/	Small		Large/	Medium	Small		Large/	Medium	Small
Agriculture ^a	—	77	23	14	63	23	25	33	42		
Industry	—	85	15	25	60	15	28	49	23		
Other material production ^b	10	75	15	80	5	15	90	5	5		
Commerce and services	10	60	30	25	25	50	38	12	50		
<i>Total</i>	<i>11</i>	<i>67</i>	<i>22</i>	<i>34</i>	<i>38</i>	<i>28</i>	<i>45</i>	<i>22</i>	<i>33</i>		

a: Includes hunting, fishing and forestry.

b: Includes construction and mining.

Source: Elaboration of figures from MIPLAN, MIDINRA, INEC, MIND.

TABLE 2
Structure of production by type of ownership in the agricultural sector, 1983
(in % of GDP)

Category	APP	Private sector	
		Large/medium	Small
<i>Agroexports</i>	<i>28</i>	<i>42</i>	<i>30</i>
Cotton	23	50	27
Coffee	23	35	42
Cane sugar	49	39	12
Sesame	1	4	95
<i>Agriculture for Internal Market</i>	<i>19</i>	<i>15</i>	<i>66</i>
Sorghum	11	34	55
Rice	47	36	17
Beans	2	—	98
Corn	13	5	82
<i>Livestock</i>	<i>20</i>	<i>12</i>	<i>68</i>

Source: MIDINRA.

TABLE 3
Structure of industrial production by type of ownership – 1983
(as % of product)

<i>Branches</i>	<i>APP</i>	<i>Private sector</i>	
		<i>Large/medium</i>	<i>Small</i>
Food, drinks and tobacco	35	48	17
Textiles, clothes, shoes and leather	23	14	63
Lumber and furniture	29	6	65
Paper, printing and publishing	17	61	22
Non-metallic minerals	79	9	17
Machinery and equipment	39	47	14
Miscellaneous	11	—	89
<i>Total</i>	28	49	23

Source: MIND.

TABLE 4
Change in the structure of land tenure, by area of ownership

<i>Area of property</i>	<i>1978</i>		<i>1983</i>		<i>1984</i>	
	<i>000s of manzanas</i>	<i>%</i>	<i>000s of manzanas</i>	<i>%</i>	<i>000s of manzanas</i>	<i>%</i>
<i>1. Private</i>	<i>8,073.0</i>	<i>100</i>	<i>5,232.0</i>	<i>65</i>	<i>5,052.0</i>	<i>63</i>
More than 500 mzs	2,920.0	37	1,132.5	14	952.5	12
201 to 500 mzs	1,311.0	16	1,021.0	13	1,021.0	13
51 to 200 mzs	2,431.0	30	2,391.0	29	2,391.0	29
10 to 50 mzs	1,241.0	15	560.5	7	560.5	7
Less than 10 mzs	170.0	2	127.0	2	127.0	2
<i>2. Social area</i>	<i>—</i>	<i>—</i>	<i>2,840.6</i>	<i>35</i>	<i>3,020.5</i>	<i>37</i>
Cooperatives	—	—	1,183.6	14	1,503.6	18
APP	—	—	1,657.0	21	1,516.9	19
<i>Total</i>	<i>8,073.0</i>	<i>100</i>	<i>8,073.0</i>	<i>100</i>	<i>8,073.0</i>	<i>100</i>

Source: MIDINRA.

134 TABLE 5

Evolution of fixed investment

(1980 prices, in indexed numbers, 1980 = 100)

<i>Categories</i>	<i>1977</i>	<i>1979</i>	<i>1980</i>	<i>1981</i>	<i>1982</i>	<i>1983</i>	<i>1984</i>
<i>Fixed Investment</i>	204	46	100	160	129	130	112
a) Private	504	116	100	176	128	114	—
b) Public	126	28	100	156	129	134	—
<i>Percentage Structure of Fixed Investment</i>							
a) Private	51	52	21	24	27	18	—
b) Public	49	48	79	76	73	82	—
<i>Total</i>	100	100	100	100	100	100	—

Source: Elaboration of MIPLAN figures.

TABLE 6

Evolution of the GDP

(1980 prices, index numbers)

<i>Activities</i>	<i>1980</i>	<i>1981</i>	<i>1982</i>	<i>1983</i>	<i>1984</i>	<i>1985*</i>
<i>Primary</i>	100	110	113	120	114	123
Agriculture	100	123	125	137	125	136
Livestock	100	87	97	96	99	104
Others ^a	100	113	84	82	70	93
<i>Secondary</i>	100	103	99	104	104	105
Industry	100	103	102	106	106	105
Others ^b	100	109	87	95	90	106
<i>Tertiary</i>	100	104	102	106	106	95
<i>Total</i>	100	105	104	109	107	104

*Planned figures

a: Forestry and fishing

b: Construction and mining

Source: MIPLAN.

TABLE 7
Evolution of the agricultural physical product
(indexed, 1977 = 100)

Category	Agricultural year						Average
	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	
<i>1. Exports</i>							
Cotton	15	53	45	55	62	55	47
Coffee	98	103	106	125	86	88	101
Sugar cane	86	98	114	112	102	105	103
Sesame	91	161	124	93	210	201	131
Bananas	107	107	104	74	113	104	101
Havana tobacco	100	112	96	85	115	107	102
<i>2. Domestic consumption</i>							
Corn	80	101	107	102	129	113	105
Rice	132	133	193	204	202	190	175
Sorghum	143	209	225	124	226	210	189
Beans	71	70	101	115	155	113	104
<i>3. Livestock</i>							
Meat							
Beef	124	111	83	64	79	73	89
Pork	82	111	145	168	197	201	150
Chicken	95	51	113	125	174	155	119
Milk	57	47	63	65	45	34	52
Eggs	99	291	384	450	450	405	346

Source: INEC, MIDINRA.

136 TABLE 8
Evolution of the land sown in cotton by category of property

Category	Agricultural year				
	1980-81	1981-82	1982-83	1983-84	1984-85
	<i>Thousands of manzanas</i>				
Small individual & cooperative production	12.5	15.2	19.1	41.4	45.6
Large production	99.4	92.1	77.2	77.6	75.9
APP	22.8	25.4	32.9	47.2	43.5
<i>Total</i>	<i>134.7</i>	<i>132.7</i>	<i>129.2</i>	<i>166.2</i>	<i>165.0</i>
	<i>Index numbers (1980-81 = 100)</i>				
Small individual & cooperative production	100	122	153	331	364
Large production	100	93	78	78	76
APP	100	111	144	207	190
<i>Total</i>	<i>100</i>	<i>98</i>	<i>96</i>	<i>123</i>	<i>122</i>
	<i>Percentage structure</i>				
Small individual & cooperative production	9	12	15	25	27
Large production	74	69	60	47	46
APP	17	19	25	28	27
<i>Total</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>

Source: Elaboration of MIDINRA and Banco Nacional de Desarrollo figures.

TABLE 9**Per capita consumption of agro-industrial products 1980-83***(in index numbers, 1977 = 100)*

<i>Category</i>	<i>Unit/year</i>	<i>1980</i>	<i>1981</i>	<i>1982</i>	<i>1983</i>	<i>Average 1980-83</i>
Beef	lbs	77	79	90	88	83
Pork	lbs	90	104	160	129	121
Chicken	lbs	176	221	203	244	211
Milk	gals	66	65	96	115	85
Eggs	dozen	125	120	121	120	121
Rice	lbs	168	143	161	125	149
Beans	lbs	85	168	142	95	122
Sorghum	lbs	163	124	152	111	137
Corn	lbs	107	105	94	103	102
Oil	litres	120	118	130	120	122
Soap	kg	118	144	149	159	142
Flour	lbs	92	117	109	101	105

Source: CIERA.**TABLE 10****Evolution of the external sector, 1977-1983***(US\$ millions)*

<i>Year</i>	<i>Exports*</i>	<i>Imports*</i>	<i>Trade balance</i>	<i>Terms of trade†</i>	<i>External debt</i>
1977	636	704	-68	100	874
1978	646	553	93	86	961
1979	616	389	227	81.3	1,131
1980	451	803	-352	79.7	1,579
1981	500	922	-422	75.3	2,163
1982	408	723	-315	68.1	2,797
1983	411	760	-349	60.0	3,385
1984	380	816	-436	65.0	3,918‡

* FOB value

† Index: 1977 = 100

‡ At the beginning of 1985 this amounted to US\$4,352 million according to information from the National Directorate of the FSLN; cf. *Barricada*, 9 February 1985.**Source:** CEPAL.

138 **TABLE 11**

Evolution of liquid assets, money supply and the coefficient of liquidity, 1979-83
(in 1980 prices)

Year	Liquid assets*	Money supply	Liquidity coefficient†
1979	7,843.0	4,364.3	39.3
1980	6,945.2	4,431.7	31.7
1981	5,885.8	4,808.5	34.3
1982	5,313.6	5,313.6	35.8
1983	11,008.5	7,588.4	45.9
1984	14,670.3	10,743.2	67.0

*Millions of 1980 cordobas. Deflator: Implicit price index of product.

†Liquid assets/GDP.

Source: Author's elaboration of INEC and MIPLAN figures.

TABLE 12

Evolution of consumption, 1977-84

(1980 prices in index numbers: 1980 = 100)

	1977	1978	1979	1980	1981	1982	1983	1984
<i>Total consumption</i>	109.7	109.1	82.5	100	94.6	90.6	93.5	98.4
a) Public	62.7	76.6	84.3	100	109.8	130.4	181.7	210.3
b) Private	120.7	116.7	82.0	100	91.4	81.4	73.7	73.2
b.1) Basic	98.3	94.3	70.1	100	103.0	98.1	103.1 ^a	—
b.2) Non-basic	154.5	150.5	100.1	100	59.1	37.8	27.2 ^a	—
<i>Composition (in %)</i>								
<i>Total consumption</i>	100	100	100	100	100	100	100	100
a) Public	11	13	19	19	22	27	36	39
b) Private	89	87	81	81	78	73	67	61
<i>Private</i>	100	100	100	100	100	100	100	100
a) Basic	49	49	51	60	53	73	86	—
b) Non-basic	51	51	49	40	47	27	14	—

a: Preliminary figures

—: No information

Source: MIPLAN, INEC and author's estimates.

Debate on capitalism and development: The theories of Samir Amin and Bill Warren

Capitalism and Imperialism

The relation between capitalism and development was, among other things, a central point of dispute in a recent debate between Samir Amin and the followers of Bill Warren (Smith, 1980; Smith, 1982; Schiffer, 1981; Amin, 1983; Smith & Sender, 1983). The question of whether or not capitalism promotes development has, in fact, implicitly or explicitly, occupied much of the *marxist* literature that deals with the contemporary world system, dependency and related problems of development. However it is a wrongly-posed question, as it seems to be based on a confusion. For the fact that *capitalism*, as a mode of production, has advanced the forces of production to an unprecedented extent is quite different from the question of whether or not *imperialism* spreads capitalism on a world scale.¹

To clarify from the outset the terms of the discussion in this article, *capitalism* means a mode of production based on the exploitation of labour by capital and *imperialism* means the process whereby an international division of labour is created through the extension of the conditions of capitalist accumulation on a world scale. Thus the fact that capitalism is a progressive mode of production does not necessarily exclude the possibility of imperialism causing underdevelopment. Imperialism may bring about underdevelopment precisely by hindering the develop-

Disputes, in recent years, over the significance of capitalist development in the Third World have ranged between those holding to the dependency theories of Frank and Amin and the proponents of the argument, associated with Warren, that capitalism provides the dynamic thrust of development. This dispute has often been referred to as the dialogue of the deaf because different meanings have been attached to the idea of development. Haldun Gülap, however, argues here that the ideal of development is common to both schools and that developmentalism has subsumed Marxist analyses of class and change in the world division of labour. He shows why capitalism has been conflated with imperialism, in the case of Warren, and why socialism, for Amin, is nothing other than some ideal model of auto-centric capitalism.

ment of *capitalism* in certain parts of the world and/or in certain periods of history. Therefore what is necessary, in order to understand the relation between capitalism and development on the one hand and imperialism and development on the other, is a concrete form of historical analysis that takes class struggle as its focal point. For capitalism itself does not have an *abstract* quality that brings about the advancement of productive forces; the latter is precisely the outcome of class structure which determines the specific mechanism of capital accumulation. Likewise, the effects of imperialism can only be understood by analysing the evolution of the international division of labour through its changing forms of national and international class conflicts and alliances. Generalisation and theorisation which emerges from such an analysis should, in turn, involve an attempt to periodise the phases of the evolution of the international division of labour.

The conflation of imperialism with capitalism, however, seems to flow from an abstract vision which in fact goes back to the notion of the *historical mission* of capitalism. The classical Marxist perspective on the historical role of capitalism is the view that capitalism has a mission to develop the productive forces and pave the way for socialist transformation. What is known as the neo-Marxist approach to underdevelopment has reversed this perspective to argue that if there is any historical mission of capitalism, it is to underdevelop the world at large. The political implication of this latter perspective has been that the forces which lead to socialist transformation are not those developed by the advancement of productive forces. Hence, it is not the industrial proletariat of the advanced centres but rather the underprivileged of the other parts of the world who are victims of the process of underdevelopment brought about by capitalism. The conclusion that the contradictions of capitalism and thus the centre of revolution reside in the periphery of the world capitalist system is based on a conflation of capitalism with imperialism. It results in confusing the struggle against underdevelopment with that against capitalism, and thus a confusion between anti-imperialism (nationalism) and anti-capitalism (socialism).²

This last point is precisely the point of departure in Warren's (1980) critique of the neo-Marxist views on underdevelopment. However, in an attempt to revive the classical Marxist perspective on the historical mission of capitalism, Warren seems to have reproduced the above confusion in reverse form. By attributing an abstract mission of development to capitalism through imperialism, which Warren considers to be the agent of diffusing capitalism on a world scale, he has failed, despite his rigorous opposition to neo-Marxism, to transcend the ground of neo-Marxist analysis.³

This paper will argue that this common ground manifests itself in three interrelated problems and that they appear in the works of the two prominent writers on either side of the debate: Amin and Warren. The first problem is that capitalism, socialism, and revolution have been analysed and debated in what may be called a *developmentalist* framework. In other words, capitalism has been analysed, and moreover politically evaluated, from the point of view of its capability of bringing about development. Secondly, as a result of this, the question has been trapped in an 'all or nothing' framework leading to a unitary vision of continuity, whether it is the existence of development or underdevelopment that is attempted to be proven. Consequently it has been impossible to theorise on a periodisation of the historical development of capitalism and its world-wide effects through imperialism. Thirdly, this abstract concern about development in an 'all or nothing' framework has led the analysis, and trapped the debate, onto a terrain which entirely excludes an appreciation of class struggle. I attempt to substantiate these points by examining the works of Amin and Warren.

In Amin's work one can find three different theories that explain underdevelopment: primitive accumulation, international specialisation, and inequality in the wage levels between countries. Although these converge at certain points, they are in fact separate and thus alternative explanations. When closely analysed, moreover, the third theory appears to be predominating, indeed determining and thus renders the others redundant. Amin links these three explanations in the following way when he mentions that:

Samir Amin

the different forms—past, present, and perhaps to come—of an unequal specialisation that always constitutes a mechanism of primitive accumulation to the advantage of the center. It is this mechanism that, finding expression in an increasing divergence in the rewards of labor, perpetuates and accentuates the underdevelopment of the periphery. (Amin, 1976: 190–91)

The argument about 'primitive accumulation' (by which, through a wrong usage of the concept, Amin means the transfer of surplus) is essentially a Frankian one. But as its effects on both the centre and the periphery are not discussed, its significance as a cause of underdevelopment is not made clear. More important however is not the effect but the case, or the mechanism, of primitive accumulation. Although it is not clear what this mechanism is, other than perhaps direct plunder, until the

monopoly phase of capitalism, from then onwards it is *unequal exchange* (Amin, 1976: 157). According to Amin, the rise of monopolies at the end of the nineteenth century created the conditions for wages in the centre to rise together with productivity while wages in the periphery remained low. Until then exchange was equal, i.e. products were exchanged at their values; but since then unequal exchange started due to the discrepancy in the wage levels (Amin, 1976: 187–88). Therefore, insofar as primitive accumulation through unequal exchange constitutes a cause of underdevelopment, it is ultimately an outcome of the difference in the behaviour of wages between the centre and the periphery.

The significance of 'international specialisation' in Amin's theory is also not very clear. According to Amin, international specialisation began when capitalism became a world system and this was apparently the result of the Industrial Revolution (Amin, 1976: 157, 183). However, a peripheral situation is not related to specialisation in the export of certain products because the kind of products exchanged has evolved and therefore the initial form of specialisation has changed. But what has remained constant is the peripheral situation due to the discrepancy in the wage levels (159–60). In other words, the impact of specialisation on the periphery has essentially been the same: it has led to a 'blocking of development' and it has led to a variety of 'distortions' (189, 288). But in order to understand why this has come about, one should refer back to the difference in the wage levels. In Amin's words: 'Inequality in wages, due to historical reasons (the difference between social formations), constitutes the basis of a specialisation and a system of international prices that perpetuate this inequality' (151).

Autocentric accumulation

Therefore, the ultimate theory that explains both 'primitive accumulation' and 'international specialisation' is inequality in the wage levels and in Amin's framework this theory is sufficient in itself to explain the difference between the centre and the periphery. To make this point clear it is necessary to analyse the main concept of Amin's theoretical framework: the existence of *autocentric accumulation* characterises the economies of the centre and its absence characterises those of the periphery. Through an analysis of this concept, it can be firstly shown that it is riddled with inconsistencies and therefore fails to serve the purpose of distinguishing between the centre and the periphery. Secondly, the actual purpose of distinguishing between the centre and the

periphery through using such a concept will be discussed, by tracing its implications with reference to the general framework of neo-Marxism.

According to Amin, the main problem in the process of capitalist accumulation is the contradiction between the capacity to produce and the capacity to consume (72–8). Therefore the essential relation in the system is that between the production of capital goods and the production of consumer goods, which in turn is provided by the extent of the internal market. The crucial variable here is the level of wages: ‘autocentric accumulation, that is, accumulation without external expansion of the system, is theoretically possible if real wages increase at a given, calculable rate’ (76). Otherwise the basic contradiction in the system would manifest itself in the form of crises. There is, however, an inherent tendency in the system to keep real wages constant and in this case ‘accumulation requires, as compensation, a steady *external* expansion of the market’ (76). This has been the case throughout the nineteenth century until the 1880s. Since the beginning of the monopoly phase in the final decades of the century, however, it has become possible to ‘plan’ the system out of crises and hence real wages have begun to rise together with productivity.

While central capitalism is characterised by autocentric accumulation, in the periphery ‘the principal articulation characteristic of the process of accumulation at the center – the existence of an objective relation between the rewarding of labor and the level of development of the productive forces – is completely absent’ (192). This not only defines the difference between the periphery and the centre, but also assigns it certain functions from the viewpoint of capital accumulation at the centre. The first function, which was predominant until the monopoly phase, is the absorption of the surplus. Thus in the age of competition, the expansion of the capitalist system was essentially characterised by the export of commodities. The second function was to raise the rate of profit, which became predominant in the monopoly phase. The steady rise in real wages at the centre provided an internal solution to the problem of markets, but at the same time it increased the necessity to benefit from the low wages at the periphery in order to counteract the tendency of the profit rate to fall. Therefore, in the monopoly phase, the expansion of the system is essentially characterised by the export of capital (188).

The difference between the centre and the periphery in terms of the behaviour of wages also has other implications. ‘Autocentric accumulation gives the capitalist mode at the centre of the system a tendency to become exclusive, that is, to destroy all the precapitalist modes’ (77). The same is not true for the

periphery which is not characterised by autocentric accumulation (202). Therefore while the central capitalist formations tend to be polarised into two classes, the bourgeoisie and the proletariat, the peripheral formations, by contrast, assume a hierarchical structuration of various modes and corresponding classes, dominated by central capitalism (294). Furthermore, this domination by central capitalism implies 'that the economies of the system's periphery . . . are without any internal dynamism of their own' (279). According to Amin, low wages in the periphery lead to a deficiency in demand as a result of which mass consumer goods industry is not sufficiently developed. This implies a 'distortion' in the economy and a lack of self-reliance. But Amin also tries to distance himself from a notion of 'dependency'. Thus, while Canada is obviously dependent on the United States, this does not mean that it is 'peripheral', because in Canada, as in the United States, wages and productivity go along with each other (Amin, 1983: 374).

Therefore, the concept of autocentric accumulation appears to be an explanation in itself to account for the difference between the centre and the periphery. This does not mean, however, that it is a satisfactory explanation. First of all, it is impossible to understand the relationship between the tendency of capitalism to be exclusive and the existence of autocentric accumulation, the determining feature of which is the steady rise of the wage level at a certain necessary rate. The effort on Amin's part to relate these two phenomena seems to originate from a vague but idealised concept of capitalism which functions properly in the central formations but not in the peripheral formations. Moreover, within this framework the 'properly functioning capitalism' is not seen as a *mode of production* but rather as an *economic system* which has managed to solve the basic contradiction between the capacity to produce and the capacity to consume. The implications of this will be discussed further below, but first I will indicate the inconsistencies which riddle the concept of autocentric accumulation.

Initially, Amin argues that 'autocentric accumulation is the condition necessary for the manifestation of the tendency of the rate of profit to fall' (77) and that the export of capital which essentially started in the monopoly phase is a means of countering this tendency through benefitting from the low wages in the periphery (161, 178, 185). But, at a later stage of his argument he says the following:

Imperialism, in Lenin's sense of the word, made its appearance when the possibilities of capitalist development on the old basis had been exhausted . . . A fresh

geographical extension of capitalism's domain then became necessary. (187)

However, it was earlier seen that according to his concept of autocentric accumulation, central capitalism could only become exclusive in the monopoly phase. Therefore, the export of capital, which makes its appearance in the monopoly phase, could not be due to the prior exhaustion of capitalist expansion in the centre. In fact, it is based on this relationship between the monopoly phase and autocentric accumulation that the tendency of the profit rate to fall, as a result of which export of capital gains momentum, can be understood. Since in this phase wages rise together with productivity, the rate of surplus value tends to be stabilised. The latter, together with the continuing tendency of the organic composition of capital to rise, leads to a tendency in the rate of profit to fall (178).

The reason for the low level of wages in the periphery, on the other hand, is the fact that here capitalism is not exclusively present. According to Amin, this is the result of a number of mechanisms leading to 'distortions' in the economy such as the 'marginalisation' of the masses and the persistence of precapitalist forms while ensuing unemployment and underemployment drives down wages (194). In fact, central capitalism seems to spend a deliberate effort to set these mechanisms in operation: 'It is because central capitalism holds the initiative in this extension [of the sphere embraced by capitalism] that relations between center and periphery continue to be asymmetrical – indeed, that is why a periphery exists and is continually being renewed' (287). The metropolitan economies, in Amin's framework, are free of these problems, due to the exclusiveness of capitalism. But the condition for an exclusive capitalism is autocentric accumulation which appears in the monopoly phase. How, then, could these economies have 'developed' in the first place?

The same difficulty arises when Amin tries to distinguish his concept of autocentric accumulation from the concept of autarchy:

Autocentric accumulation does not mean autarchy. On the contrary, we have seen the decisive role played by external trade, not only in the origin of the capitalist mode of production, in the age of mercantilism, but also after the Industrial Revolution. (191)

However, this is in conflict with his own argument. For by his own reasoning, since central capitalism was not autocentric until the monopoly phase is reached, external trade was necessary to overcome the contradiction between the capacities to produce and to consume. Furthermore, a further difficulty is that the

concept of autocentric accumulation necessarily rules out the concept of the *world system* (Bernstein, 1979: 91–92). Notwithstanding his, whether for external trade or the export of capital, metropolitan capitalism in Amin's framework requires the existence of the periphery.

All these inconsistencies point to the same problem: Amin *cannot* distinguish between the centre and the periphery through the concept of autocentric accumulation. This concept, which is supposed to define metropolitan capitalism, is only applicable for the monopoly phase of capitalism. This, in turn, means that it is impossible both to distinguish between peripheral and metropolitan capitalism in its competitive phase and to explain the development of metropolitan economies, in the competitive phase, which theoretically cannot be distinguished from the peripheral economies.

Developmentalism

I suggested earlier that Amin's specific argument also has more general implications for the whole framework of neo-Marxism. In taking the 'nation' as the element of analysis, and in trying to define 'underdevelopment' as the object of inquiry, a reference to the concept of a 'developed society' has to be made in order to theorise the difference between underdevelopment and development. In fact, the point of departure, from the inception of the study of dependency, has been to conceptualise the contrast between developed and underdeveloped societies (Girvan, 1973: 10). But, it is precisely the way in which a developed society is analysed that betrays the ideological nature of neo-Marxism in relation to a developmentist problematic (Bernstein, 1979; Phillips, 1977). Within this framework, the conception of a developed society is at once idealised and vague. It is idealised because, when development is the main concern, the developed countries provide a 'model' by which the difference is to be judged. Hence, with metropolitan capitalism setting the standard, the periphery is supposed to display certain *distortions* (Smith, 1980: 14; Smith, 1982: 13). This conception is also vague because, although the developed capitalist countries are taken as a point of reference, the view that the same experience cannot be repeated by the underdeveloped countries, within the world capitalist system, leads to the rejection of the entire system. It is clear that the developed countries have achieved development precisely in a capitalist system. Therefore, how the 'system' in the developed capitalist societies is to be evaluated politically necessarily remains vague with the result that the political conclusion of anti-capitalism originates in and gets confused with the *ideal* of development.

This framework is devoid of the means for politically evaluating capitalism. In Amin's work, as in other examples of neo-Marxist analysis (Gülalp, 1981), despite the lip service which is paid to class struggle, classes and their struggles are not integral elements of the analytical framework. This is because the analysis is situated in demand rather than production conditions. As Elson (1977) argues, Amin's is not a materialistic analysis since it takes wages rather than accumulation as its starting point. In fact, this whole framework dates back to the work of Prebisch (1959) which was, on the one hand, a continuation of the thirties Latin American writing on development and nationalism (Hirschman, 1961) and, on the other hand, a source of inspiration (albeit an unacknowledged one) for the neo-Marxist theories of underdevelopment. It is possible to argue that both Frank's theory of the 'development of underdevelopment' (Frank, 1967, 1969), and Emmanuel's theory of 'unequal exchange' involve the extension, to their logical limits, of the two elements in Prebisch's theory (Gülalp, 1981: 120–23, 129–31); both theories are embraced in Amin's conclusions. Thus, Emmanuel reproduces Prebisch's analysis in 'value' terms and also argues that an increase in the wage level is a direct cause of development by widening the internal market as well as by forcing capital to increase labour productivity. Frank, on the other hand, through a vulgarisation of Prebisch's analysis of surplus transfer, turns his policy proposal of import-substitution towards the conclusion of autarchy. Although the required extent of protectionism and import-substitution, in Prebisch's analysis, are specified and based on the specification of the surplus transfer mechanism, in Frank's theory this mechanism is not specified. The logical solution to the loss of surplus, which is supposed to be the outcome of participation in the world economy, becomes complete autarchy. It will be seen below that, although not posed in the same terms, both of these 'proposals' are embraced in Amin's political conclusions.

It was suggested above that the *developmentist* perspective and the *class-less* vision of capitalism are reflected in Amin's political conclusions. This becomes clear in the significance which is attached to autocentric accumulation. By using this concept, capitalism ceases to be a mode of production: 'For Amin, the central contradiction is one of *imbalance* – and not of contradiction between capital and labour' (Phillips, 1977: 10). The concept of autocentric accumulation implies that the formula for development is the resolution of this contradiction and Amin poses the case for socialism thus:

This theory asserts that there is a fundamental difference

between the model of self-reliant accumulation and the model that describes the peripheral capitalist system . . . It excludes the prospect of a mature, autonomous capitalism in the periphery. It asserts that a socialist break with this system is here objectively necessary. (Amin, 1977: 2-3)

In other words, socialism is necessary to achieve development. It is clearly the preoccupation with development that informs the political conclusion,⁴ namely that socialism is regarded as a means of achieving autocentric accumulation.

The essential link in autocentric accumulation was seen to be the steady rise in wages; this leads Amin to his first policy proposal:

This link has been a feature of the historical development of capitalism at the center of the system, in Europe, North America, and Japan . . . It could be shown that the process of development of the USSR and also of China, are also based upon this link . . . (73)

Secondly, he refers to the necessity of autarchy:

Our political conclusion . . . is that 'de-linking' is one of the necessary conditions in any serious attempt to develop the productive forces better and otherwise than by compradorised capitalism. (Amin, 1983: 375)

Therefore, socialism is seen as an alternative not to 'capitalism' but to *compradorised* or peripheral capitalism. This being the case, there is not much left to distinguish between an autocentric capitalist system and socialism.

This leads the discussion to a more general conclusion. The developmentist critique of capitalism is not only wrong, but it is also *impossible* because it is inconsistent within its own framework. It is wrong because, in terms of developing the productive forces, capitalism is a 'progressive' system – whatever may have been the effects of imperialism on different parts of the world. Also, it is a non-critique because it is not the existence or otherwise of capitalism that determines the existence or otherwise of development but rather whether autocentric accumulation exists or not. This is so because what is being criticised is not capitalism; metropolitan economies are seen as models of development and the necessity of 'socialism' arises from the impossibility of repeating that experience.

In returning to the earlier suggestion, the effort to define underdevelopment by reference to an idealised notion of development starts from the initial question of the developmentist framework. It is the result of posing underdevelopment as a

unitary process, whatever changes may have taken place in the evolution of the world economy (Phillips, 1977: 13; Bernstein, 1979: 89). Therefore, the developmentist evaluation of capitalism necessarily results in an ahistorical framework that excludes a theoretically meaningful periodisation of the world economy and the international division of labour, based on the concept of class struggle.

Warren's work, perhaps in a paradoxical sense, does not constitute a critique of neo-Marxism, as it fails to break with the same 'developmentist' framework. While for Amin the question is one of repeating the experience of the centre through 'socialism', which is otherwise impossible for the periphery, Warren's reply to this is that imperialism must, and actually does, carry out the task of development. While Amin tries to establish the difference between the centre and the periphery without success, Warren does not seem to acknowledge any such difference.⁵ Therefore, while Amin's argument is a developmentist critique of capitalism, Warren's is a developmentist *defence* which at certain points tends to become an apology for capitalism.

Bill Warren

Warren's main objective is to revive the classical Marxist perspective on capitalism, i.e. the latter's historical mission to develop the forces of production. However the pre-occupation with the *mission* leads Warren to an abstract vision of capitalism and, further, to an extension of this vision to that of imperialism. His arguments are couched within a framework that excludes the actual mechanisms of conflict between classes, as well as capitals, through the functioning of capitalism as a mode of production and in its impact through imperialism.

In fact, Warren's work is a formidable attack on the nationalist tendency in neo-Marxism (Warren, 1980). The allegation that neo-Marxism is based on a confusion between *anti-imperialism* and *anti-capitalism* is a constant theme in his critique. Moreover, Warren traces the origin of this tendency to Lenin's theory of imperialism. These arguments constitute the most significant aspect of Warren's contribution to the debate but they are not themselves altogether free of difficulties.⁶ Warren's critique seems to be fraught with ambiguity and what he proposes as an alternative vision, through this critique, carries within itself the same problems that are found in neo-Marxism.

The ambiguity in Warren's critique lies in his failure to distinguish between the arguments, within Marxism, in favour of a national-bourgeois revolution against imperialism and those in favour of a socialist revolution against the alleged retarding effects of imperialism/capitalism. Warren seems to lump them

together under the general heading of *nationalism*. This is in turn related to, but not identical with, another distinction that he fails to make, namely the distinction between the prospect of national liberation led by the national bourgeoisie and that led by the proletariat of the third world.

This distinction comes out most clearly in the Comintern debate between Lenin and Roy, to which Warren refers (Warren, 1980: 98–101). Lenin's argument about an alliance with the bourgeois-led national liberation movements is in fact the outcome of the theory of historical stages that all societies must go through – a point which Warren must agree with. But this is precisely what the dependency (or neo-Marxist) theory criticises in classical Marxism. Therefore, Roy's argument about proletarian leadership in national liberation is more representative of the neo-Marxist view.⁷ In this sense it seems rather ironic that Warren (1980: 101) attributes an anti-nationalist stance to Roy despite the common premise of Lenin's and Roy's arguments which puts them in the same category: both uphold the view that the survival of metropolitan capitalism depends on the 'exploitation' of the colonies. For Lenin, this view is the result of his theory of monopoly capitalism and imperialism, which Warren rightly criticises (1980: 48ff). The neo-Marxist theory, on the other hand, has generalised this argument to be applicable for all times since the inception of capitalism. It is argued that by locating the dynamic of capitalism in the exploitation of the periphery by the centre, rather than in its class structure and the exploitation of capital by labour, the essence of all the nationalist currents in Marxism can be constituted.

Warren's failure to make these distinctions leads to a failure to establish the relation between Lenin's theory of imperialism on the one hand, and dependency theory on the other. At one point in his critique, Warren says the following:

The idea that the world market is the root of international exploitation tends to dissolve any distinctive *imperialist* aspects of such exploitation and to equate it merely with the extension of specifically capitalist relationships across international boundaries. In turn, this blurs the demarcation between the negative effects of the growth of capitalism as an indigenous phenomenon and the negative effects of the impact of advanced capitalist countries (imperialism). (1980: 115–16)

This point is precisely in line with the point that was argued in the preceding section and is entirely different from the prevailing tone of Warren's arguments. He argues that 'the bulk of current Marxist analyses and propaganda about imperialism actually

reverses the views of the founders of Marxism, who held that the expansion of capitalism into pre-capitalist areas of the world was desirable and progressive'. He then goes on to argue that the 'theoretical fulcrum of this reversal of the Marxist view is the theory of the advent of a new and degenerate stage of capitalism (monopoly capitalism) that can no longer perform any positive social function' (1980: 3-4). Of course, this is Lenin's theory of imperialism, but what was already implicit in Lenin's theory was later, according to Warren, turned into dogma: imperialism came to be regarded as the major obstacle to development. The theory was then generalised and capitalism began to be regarded as a retrogressive system; this shift in Marxist theory was completed and fully spelt out in the 1928 Congress of the Comintern: 'The resolutions of this Congress formalised the surrender of the Marxist analysis of imperialism to the requirements of bourgeois anti-imperialist propaganda' (1980: 107). This was so, because 'the inherent logic of anti-imperialist nationalism was [that] the more rapid and extensive development of capitalism throughout the world was not necessarily or always understood by the nationalists themselves, let alone the Marxists' (1980: 5). However, if the spread of capitalism is 'desirable and progressive', then Warren should have no difficulty with nationalism.

This is in fact closely linked to another question: the relation between national independence and capitalist development. It could be argued that these difficulties stem from Warren's ambiguities, regarding the relation between national independence and capitalist development, which are especially discernible in his earlier work (Warren, 1973). As it was pointed out in one of the critiques of his article (McMichael et al, 1974: 84), Warren's 'essay projects a mixture of hypotheses: the Third World countries are rapidly industrialising either *independently* of imperial centres, or *because* of imperial centres, or *despite* imperial domination.' In his later work Warren (1980) seems to have overcome this ambiguity, but the way he does so is through conflating imperialism with capitalism thereby extending the classical Marxist perspective on capitalism to imperialism. He is so preoccupied with the idea of the historical mission of capitalism that he defines imperialism as 'the penetration and spread of the capitalist system into non-capitalist or primitive capitalist areas of the world' (1980: 3); and he concludes that 'since Marx and Engels considered the role of capitalism in pre-capitalist societies progressive, it was entirely logical that they should have welcomed the extension of capitalism to non-European societies' (1980: 39).

In a sense, this line of reasoning is already implicit in the article where Warren's main point of reference is the develop-

ment performance of the third world in the post-war period. Instead of evaluating performance as a phase in the evolution of the international division of labour, he tends to reverse the neo-Marxist arguments, in his attempt to criticise them, and generalise from the post-war trends. For example, in his attempt to criticise the Frankian thesis, he argues that 'this industrialisation has been (and is) taking place in a period when neither war nor world depression have acted to "cut-off" the Third World from the advanced capitalist countries' (1973: 6). However, he spends no effort to inquire into the relationship between the inter-war period of the world economy and the post-war trends that he observes. To assert that there is indeed a relationship between the two is not a Frankian thesis because, for Frank, the unitary process of the 'development of underdevelopment' was resumed in the post-war period. Warren, on the other hand, reverses this to argue for the existence of a unitary process of imperialist-led development.

By carrying to its logical conclusion, in his later work, what is an implicit tendency in his earlier work forces Warren to make a number of substantial revisions. Thus, for instance, Warren's definition of development in the article involves a justified criticism of neo-Marxism's idealised conceptualisation: 'Successful capitalist development is here understood as that development which provides the appropriate economic, social and political conditions for the continuing reproduction of capital, as a social system' and not as 'the *adequacy* of "development" . . . as a process satisfying the needs of the masses' (1973: 4). In his book, however, capitalism is seen in an entirely different light. Among many other examples, I can cite his characterisation of monopoly capitalism, which is deemed to be 'far more responsive to the needs of the masses than nineteenth-century capitalism ever was.' He adds: 'In any reasonable historical perspective, capitalism has steadily devoted greater and greater proportions of its resources to public goods and amenities, with reasonably positive effects on the whole' (1980: 80–81). A similar change can also be observed in his views on colonialism from the article where he wrote that 'in certain dramatic cases, notably India, it appeared that imperialism, having initiated the process, was now using its political control to hold back the forces it had set in motion' (1973: 42). In the book, however, one finds a different evaluation: 'The colonial era, far from initiating a reinforcing process of underdevelopment, launched almost from its inception a process of development, understood here in terms of improvements in material welfare that also constituted conditions for the development of the productive forces' (1980: 129).

Herein, then, lies the connection that Warren finds between

Lenin's theory of imperialism and the post-war neo-Marxist theories of dependency/underdevelopment. According to Warren, both of these theories depict imperialism and capitalism as retrogressive, whereas they are progressive. This, he argues, signifies a reversal in the Marxist evaluation of capitalism which results from an extension of Lenin's views on imperialism as a certain stage of capitalism: 'It is now not the character of capitalism that determines the progressiveness (or otherwise) of imperialism, but the character of imperialism that determines the reactionary character of capitalism' (1980: 47). And, the 'Leninist assessment of imperialism as unable to modernize backward societies was thus extended to apply to capitalism in general' (Warren: 110). Thus Warren's argument against the Leninist and dependency versions of nationalism is that capitalism and imperialism are progressive. In reproducing the errors of the neo-Marxist argument in a reverse form, Warren emerges to defend imperialism, which is in fact the most aggressive version of nationalism.

That Warren's critique of neo-Marxism is a reversal of its arguments within the same problematic can be seen in the problems that emerge from this perspective.⁸ First of all, Warren evaluates capitalism and imperialism with reference to the productive forces, in similar fashion to the neo-Marxist frame of reference. It was shown that the neo-Marxist case for *socialism* is the view that capitalism does not develop the productive forces. Warren's counter-argument, on the other hand, is not limited to a refutation of this mistaken view, but rather he extends it further to provide a case for capitalism. Thus, in the words of Lipietz, Warren 'may have seemed to be telling us: Don't fight imperialism because it introduces *foreign* exploitation, just fight it as exploitation' (1982: 56). This would clearly be the anti-nationalist and anti-capitalist position. However, 'Warren precisely finds capitalist exploitation to be legitimate. In essence, he is saying: Don't fight imperialism, since it helps to spread capitalism, and capitalism itself is allright, "functional", "appropriate to economic growth".'

It is in this context that Warren's arguments tend to become an apology for capitalism and imperialism. As Halliday points out, there is 'a curious absence in his writings of that moral outrage about capitalism which you will find, for instance, in the most pro-capitalist sections of the *Communist Manifesto*' (1983: 20). This is reflected in Warren's remark, among others, that the 'progressive bourgeois outlook of John Stuart Mill has been increasingly rejected by the Western intelligentsia in favour of the reactionary petty-bourgeois outlook of Proudhon' (1980: 2) and his related argument that a moral critique of capitalism is

reactionary (1980: 20ff).⁹ This stance becomes especially clear in Warren's evaluation of socialism:

In retrospect, the historical tendency of the socialist movement to draw a sharp dividing line between bourgeois and socialist morality and culture has obscured more than it has clarified. It is rather the case that the cultural and moral differences between modern industrial societies and pre-industrial societies and cultures are far more fundamental than those between industrial societies themselves. (1980: 23–24)

What leads Warren to such a statement that classifies social systems according to their levels of industrialisation is, of course, the significance he attaches to the development of the *productive forces* (1980: 24–25). It must be emphasised that even from the perspective of this logic, it is difficult to lump capitalism and socialism together because the nature of the development of the productive forces cannot be separated from the nature of the relations of production. In socialism the development of the productive forces would be a means of enhancing human control over nature while in capitalism it is a means of increasing the rate of exploitation.

The second problem that flows from Warren's perspective is that capitalism is seen as an abstract process rather than a specific mode of production. Through a unitary conceptualisation of the development process, as both cause and effect, the third problem to emerge is the lack of any reference to classes and their struggles. To regard capitalism as an abstract process of development is to produce a Hegelian rather than a Marxian vision of history (Howe, 1983; Pilkington, 1981). Warren leaves out the analysis of the most essential political issues like the extent of proletarianisation and the nature of the working class (Jenkins, 1984: 39). Finally, the abstract and unitary conceptualisation of the development process becomes the source of the ahistorical nature of the analysis: 'Warren's argument fails to periodise when capitalism does and does not transform particular societies, an essential task for historical analysis' (Halliday, 1983: 21). Similarly, it fails to account for the differentiation between, and the specificities of, the development experience of the third world countries (Lipietz, 1982: 49; Jenkins, 1984: 38).

Just as within the neo-Marxist framework, Warren's counter-argument is based on a developmentist evaluation of capitalism which results in an ahistorical framework, excluding a theoretically meaningful periodisation of the world economy and the international division of labour, based on the concept of class struggle.

The object in reviewing the two authors of opposite convictions was to show how the shortcomings of the debate originate from the plane on which it is carried out. The significance of this debate is centred on the political implications which derive from the premise of the debate. It has been argued that in terms of the questions asked, the two writers, Amin and Warren, share a common premise. This becomes clear when the three problems which were mentioned at the beginning of this article are considered.

First, it was seen that both authors discuss and evaluate capitalism by reference to the development of the productive forces. It is this frame of reference which informs their political conclusions. Thus capitalism and socialism are not regarded as modes of production that have class relevance, but rather as economic systems that allow for more or less development. No political conclusion can be sound and reliable without referring to the relations of production and to classes. Moreover, the terms of the debate are couched within a framework that idealises the experience of western capitalist development and asks whether or not the idealised experience is reproduced in the rest of the world. Such a perspective fails to see that development is not identical with the satisfaction of human needs.

Secondly, both authors, preoccupied with the relation between capitalism and development as an abstract process, reach a unitary vision of an 'all or nothing' polarity. Regarding development *or* underdevelopment as a unitary process is an outcome of the neglect of the evolution of class relations both within and across nations. This immediately lends itself to a common conception of development or underdevelopment as a centre-determined process. Blaming or praising the 'centre' results in two extreme positions of the same kind, respectively nationalism and euro-centrism.

The unitary vision which is bound up with the ahistorical nature of the analyses can be seen in the failure of both writers to take account of the historical specificities of the third world experience. Thus, each side in the debate criticises the other for failing to note the diversity of concrete historical situations (Smith, 1980: 12, 18–19; Smith, 1982: 12; Amin, 1983: 363). However, it is the framework of either side that does not allow for a historical perspective.

Although Amin mentions the competitive and monopoly phases that capitalism goes through, as well as the corresponding phases of its relation with the periphery, namely the export of commodities and the export of capital, these have very little theoretical significance. This is because the periodisation conflicts with his theorisation of metropolitan capitalism through the

concept of autocentric accumulation. It was shown earlier that in order to be consistent with Amin's definition, the concept of autocentricity could only be applicable to the monopoly phase, while Amin generalises this concept to embrace a unitary definition of development. His definition of the periphery, on the other hand, unless based on the non-existence of autocentric accumulation, is limited to an empirical and therefore static definition. The 'distortions' which he takes to characterise peripheral economies cannot be considered to be valid for the whole history of the periphery. Any change in the 'form' of the peripheral economy would imply that his description of the distortions collapses, but does not necessarily challenge his concept of distortions unless the centre and the periphery become identical. To allow for such a change, Amin is forced into his conception of underdevelopment as a unitary process of continuity.

Warren's framework, on the other hand, necessarily rules out any reference to phases of capitalism. While in his early work he dismisses the issue by generalising from the post-war trends, in his later work the question itself becomes impossible to ask. However, as Halliday (1983: 23) points out, this becomes especially significant in the present conjuncture, which may undermine the empirical arguments of Warren (and, one may add, those of Schiffer, 1981), when the world economy is entering a new phase. In other words, even in the post-war period, from which Warren seems to generalise, it is difficult to speak of a unilinear process of development. In order to understand the changes in the patterns of development, it is necessary to understand the conditions under which the post-war boom, for both the developed and the underdeveloped countries, took place and how the end of the boom is forcing a new international division of labour. Warren's framework does not allow room for such an evaluation.

Finally, the lack of attention to classes and their struggles, in the analytical frameworks of the two authors, is reflected in their political conclusions. Trapped within the framework of assessing capitalism by reference to the productive forces alone, they reach two opposite positions of a common kind: voluntarism, in the case of Amin, and what may be called inevitabilism, in the case of Warren. In either case, there does not seem to be much room left for class struggle.

This, then, brings us back to our first point: capitalism is a mode of production that advances the productive forces by its nature of a specific class-relation; and imperialism, on the other hand, is neither an agent of diffusing the capitalist mode nor that of creating underdevelopment as an abstract process with a singular outcome. It is rather the process of creating an international

division of labour with different outcomes in different parts of the world as well as in different phases of the development of capitalism on a world scale. To grasp this process, it is necessary to carry out a concrete and historical analysis of class conflicts and alliances at the national and international levels. Only through historical analysis can the phases of the world economy be theorised.¹⁰

1. The confusion between capitalism as a mode of production and imperialism, in terms of its effects on the spread of capitalism, seems to have gone unnoticed, since one can still come across observations like the following in a recent survey of the theories of imperialism:

Marxist theories of the development of capitalism on a world scale tend to fall into two groups. There are those that concentrate on the progressive role of capitalism in developing the forces of production, and conversely those that present capitalism as a system of exploitation of one area by another, so that development in a few places is at the expense of the 'development of underdevelopment' in most of the world. (Brewer, 1980: 15–16)

2. For an elaboration of this theme, see Gülalp (1978).

3. In this context, one can refer to Brenner (1977) whose emphasis on the class structure of capitalism, as the source of its dynamism, distinguishes him from Warren, despite the superficial similarity in their critiques of the dependency approach and the associated efforts to revive the classical Marxist approach. As Jenkins (1984: 53) neatly puts it, if dependency is to be characterised as neo-Smithian, Warren himself is squarely Smithian.

4. Smith and Sender (1983: 655): 'So Amin's justification for socialism is a negative one, it is built upon inevitable inadequacies of capitalism. It is clearly *anti*-imperialist, but what is it *pro*?'

5. The point is, of course, that there are indeed differences between national economies that form part of the international division of labour. The problem is based on a notion of polarity between centre and periphery, and defining the differences by reference to an idealised concept of development.

6. It could also be argued that they are not entirely new points. The point about Lenin being the 'founding father' of the nationalist currents in Marxism can also be found in, for example, d'Encausse & Schram (1969), a work which Warren seems to quote rather extensively.

7. See, for instance, Alavi (1972).

8. How far Warren has been trapped within the terms of the debate set by dependency theory is also apparent in the argument of his article about the relation between independence and development. To argue for the existence of development he argues for the existence of growing independence. This limiting framework has long been transcended by the concept of dependent development. For this specific criticism of Warren's work, see Bernstein (1982: 229) and Phillips (1977: 8). This point does not, of course, apply to his book.

9. This argument has recently been further developed by Kitching (1982). Although this is not the place to discuss Kitching's work, it may be pointed out that apart from the difficulties in his definition of 'populism' (see Bernstein, 1984), his main argument is oblivious of the Marxist

Notes

critique of capitalism. Marx does not reject the 'early socialist' critique but instead furthers it by providing it with a 'scientific' substance, resulting in an argument for transcending capitalism. Without a moral critique of capitalism there cannot be a case for socialism.

10. The prime example of this kind of work is Cardoso and Faletto (1979). However, one must also be aware of the difficulties involved in Cardoso's own presentation of his approach (Cardoso, 1977). The impression one gets of Cardoso's position in his article is that he is against any kind of generalisation and theorisation for the purpose of analysing concrete situations to be able to guide social and political struggles. But the whole essence of generalisation and theorisation lies in prediction, without which it is impossible to conduct any kind of struggle.

References

- Alavi, H. (1972) 'The State in Post-colonial Societies: Pakistan and Bangladesh', *New Left Review*, 74.
- Amin, S. (1976) *Unequal Development*, Harvester Press.
- Amin, S. (1977) 'Self-Reliance and the New International Economic Order', *Monthly Review*, July/August.
- Amin, S. (1983) 'Expansion or Crisis of Capitalism?', *Third World Quarterly*, 5(2), April.
- Bernstein, H. (1979) 'Sociology of Underdevelopment versus Sociology of Development?', in D. Lehmann (ed.), *Development Theory: Four Critical Studies*, Frank Cass.
- Bernstein, H. (1982) 'Industrialization, Development, and Dependence', in H. Alavi & T. Shanin (eds), *Introduction to the Sociology of 'Developing Societies'*, Macmillan.
- Bernstein, H. (1984) 'A Natural History of Populist Economics', *Third World Book Review*, 1(1).
- Brenner, R. (1977) 'On the Origins of Capitalist Development: A Critique of Neo-Smithian Marxism', *New Left Review*, 104.
- Brewer, A. (1980) *Marxist Theories of Imperialism: A Critical Survey*, Routledge & Kegan Paul.

- Cardoso, F.H. (1977) 'The Consumption of Dependency Theory in the United States', *Latin American Research Review*, vol. XII.
- Cardoso, F.H. & Faletto, E. (1979) *Dependency and Development in Latin America*, University of California Press.
- d'Encausse, H.C. & Schram, S.R. (1969) *Marxism and Asia*, Allen Lane.
- Elson, D. (1977) 'Review of *Unequal Development*', *Capital & Class*, 3.
- Emmanuel, A. (1972) *Unequal Exchange*, New Left Books.
- Frank, A.G. (1967) *Capitalism and Underdevelopment in Latin America*, Monthly Review Press.
- Frank, A.G. (1969) 'The Development of Underdevelopment' in *Latin America: Underdevelopment or Revolution*, Monthly Review Press.
- Girvan, N. (1973) 'The Development of Dependency Economics in the Caribbean and Latin America: Review and Comparison', *Social and Economic Studies*, 22(1).
- Gülalp, H. (1978) 'Imperialism and Underdevelopment', University of East Anglia School of Development Studies *Occasional Paper* 26.
- Gülalp, H. (1981) 'Frank and Wallerstein Revisited: A Contribution to Brenner's Critique', *Journal of Contemporary Asia*, 11(2).
- Gülalp, H. (1983) *Gelişme Stratejileri ve Gelişme İdeolojileri*, Yurt, Ankara.
- Halliday, F. (1983) 'Imperialism and the Middle East', *MERIP Reports*, 13(7).
- Hirschman, A.O. (1961) 'Ideologies of Development in Latin America', in A.O. Hirschman (ed.), *Latin American Issues, Essays and Comments*, New York.
- Howe, G.N. (1983) 'Warren's Revision of the Marxist Critique', *MERIP Reports*, 13(7).
- Jenkins, R. (1984) 'Divisions over the International Division of Labour', *Capital & Class*, 22, Spring.
- Kitching, G. (1982) *Development and Underdevelopment in Historical Perspective*, Methuen.
- Lipietz, A. (1982) 'Marx or Rostow?', *New Left Review*, 132.
- McMichael, P., Petras, J. & Rhodes, R. (1974) 'Imperialism and the Contradictions of Development', *New Left Review*, 85.
- Phillips, A. (1977) 'The Concept of "Development"', *Review of African Political Economy*, 8.
- Pilkington, F. (1981) 'B. Warren and Imperialism', *Journal of Contemporary Asia*, 11(4).
- Prebisch, R. (1959) 'Commercial Policy in the Underdeveloped Countries', *American Economic Review*, Papers and Proceedings.
- Schiffer, J. (1981) 'The Changing Post-war Pattern of Development: The Accumulated Wisdom of Samir Amin', *World Development*, 9(6).
- Smith, S. (1980) 'The Ideas of Samir Amin: Theory or Tautology?', *Journal of Development Studies*, 17(1).
- Smith, S. (1982) 'Class Analysis versus World Systems: Critique of Samir Amin's Typology of Under-development', *Journal of Contemporary Asia*, 12(1).
- Smith, S. & Sender, J. (1983) 'A Reply to Samir Amin', *Third World Quarterly*, 5(3).
- Warren, B. (1973) 'Imperialism and Capitalist Industrialisation', *New Left Review*, 81.
- Warren, B. (1980) *Imperialism: The Pioneer of Capitalism*, New Left Books.

Fixed and circulating capital

Felton Shortall argues that in analysing capital in terms of constant and variable capital in order to bring out the inner nature of capitalist relations of production, Marx was forced to suppress the distinction between fixed and circulating capital. By means of an analysis of the circuits of capital, the significance of the concepts of fixed and circulating capital is established and the implications for Marxian theory of price formation, divisions within the capitalist class and the periodisation of capitalism discussed.

160

● This paper is primarily concerned with analysing the categories of fixed and circulating capital and their relation to the circuits of industrial capital. It will be argued that the division of productive capital into fixed and circulating capital produces a modification in the transformation of value into price such that rather than value being transformed into a single regulating price, the production price, it is transformed into a regulating price range. In connection with this modification of the transformation process, it is argued that there emerges a contradiction between social capital, as represented by capital in circulation, and particular capital, as represented by productive capital, which inscribes a division within the capitalist class. On the basis of this contradiction between social capital and particular capital a schema for the periodisation of capitalism is constructed.

The categories of fixed and circulating capital, being forms of productive capital, emerge when capital takes possession of the sphere of production to become industrial capital. It is therefore with production that the analysis of fixed and circulating capital must begin.

Production requires that industrial capital takes the form of numerous different commodities as inputs (such as raw materials, labour power, buildings, machinery, fuel, etc.). Each of these different commodities will be consumed at different rates in the production process. Consequently industrial capital, on entering

the sphere of production, will be broken up into different parts, each with its own average period of time for its value to be transferred into the produced commodity. However, each of these different parts of the industrial capital are united in the common process of production and the rates of consumption of each of the commodity inputs is governed by the rhythm of this production process. The rhythm of production, when articulated with the rhythm of circulation will give rise to a given turnover time. Once specified, this turnover time will produce a division in industrial capital, in its productive form, between the mass of values that will pass through the sphere of production and the mass of values that will remain interrupted in the productive form during the period of one turnover. That is a division emerges between circulating and fixed capital.

The division of productive capital into fixed and circulating capital is, then, centred on the movement of industrial capital between production and circulation. Thus the question of fixed and circulating capital becomes a problem of the articulation of production with circulation.

How is this problem dealt with by Marx?

In writing his critique of classical political economy, Marx was confronted with the problem of firstly demonstrating how capitalism, as a specific mode of production, produced two antagonistic classes based on labour and capital; and secondly, demonstrating how classical political economy failed to grasp this.¹ Consequently the specific problematic that governed Marx's critique of political economy was centred around the division between classes rather than divisions within them.² This led Marx to emphasise the unity, as opposed to the contradictions in the articulation of production with exchange and distribution (and hence with circulation), since it was through this unity of articulation that Marx could most clearly show the determinancy of production over the sphere of circulation which was necessary if Marx was to argue that the exploitation of labour by capital is central to capitalism.³ However, as will be argued below, the consideration of fixed and circulating capital involves the contradictions in the articulation of production with circulation and consequently points to a division within the capitalist class. Despite this Marx devotes a large part of Volume 2 of *Capital* to discuss the questions arising from fixed and circulating capital.

In Section 2, it will be argued that it was necessary for Marx to raise the issue of fixed and circulating capital in order to produce his categories of constant and variable capital against Ricardo's price and value theory. In doing so, however, Marx was obliged to suppress those aspects of the analysis of fixed and circulating capital which would emphasise the contradictions in

the articulation of production with circulation.

In Section 3a the articulation of production with circulation is approached by contrasting the movement of industrial capital to the movement of capital entirely confined to the sphere of circulation, as represented by the circuit of merchant capital. It is concluded that unlike merchant capital, a part of an industrial capital may, in effect, become interrupted in its movement without rupturing its circuit as a whole. Section 3b goes on to consider fixed capital as such an interruption in the movement of part of a capital. It is argued that by viewing fixed capital as an interruption in this way, that is by considering the movement of each part of industrial capital in relation to its circuit as a whole rather than in isolation, it can be seen that fixed capital exists as a permanent reservoir of value locked in the sphere of production.

Section 4 goes on to explore the implications of fixed and circulating capital both within and between particular circuits of capital for Marx's theory of price formation. It is argued that because fixed capital is locked in the sphere of production it does not directly take part in the formation of the average rate of profit. Consequently while the movement of capital into a particular branch of industry will depend on the total productive capital in a particular circuit earning at least the average rate of profit; movement out of that branch will depend, not on total productive capital, but on that part which is circulating capital failing to earn the average rate of profit. This produces a modification in the transformation of values into prices such that rather than being transformed into a single regulating price, the production price (at which capital is not induced to move either into or out of a branch of industry), value is transformed into a regulatory price range.

The divergence between the price above which capital is drawn into a particular branch of industry and the price below which capital is expelled produces a contradiction between the total social capital and the particular circuit of capital. This contradiction is examined in Section 5 by examining the circuits of money capital and productive capital. This examination shows how this contradiction between social capital and particular capital manifests itself in the articulation of production with circulation and indicates how this inscribes a division between those capitalists who specialise in circulation and those who specialise in production.

Section 5 concludes by sketching a schema for the periodisation of capitalism based on the development of this contradiction between social capital and particular capital and the attempts to resolve it via the interest rate and state intervention.

Section 6 concludes this paper by suggesting avenues of

investigation that may follow on from the foregoing analysis. It is suggested that further analysis of fixed and circulating capital may lead towards a dynamic theory of both price and profit rate formation, and hence lead towards a theory of uneven development. It is also suggested that such an analysis may provide an important contribution towards a theory of capitalist competition.

Before proceeding it is necessary to clarify one point in order to avoid possible confusion. This point is the distinction between circulating capital and capital in circulation. Capital in circulation describes the existence of capital in either its money or commodity forms, which operate entirely within the sphere of exchange. Circulating capital, as a part of productive capital, operates entirely within the sphere of production. Circulating capital consists of all the value which is to be passed on to the final product in the production process, except surplus value, in a cycle of production and therefore consists of the value of labour power, raw materials and the wear and tear of machinery and buildings etc. Circulating capital is linked to capital in circulation in so far as circulating capital is that part of productive capital which is transformed into capital in circulation in each turnover of the particular circuit of capital.

One of the predominant issues within classical political economy was that of the validity of a labour theory of value. According to a labour theory of value, as conceived by the classical political economists, the natural price of a commodity would be determined by the necessary simple labour time for its production, so that two commodities would exchange in a ratio equal to the ratio of the simple labour times needed for their respective production. Underlying such a theory was the conception that labour, as measured by labour time, was the source of value and that value was immediately identifiable as exchange value and hence as price. Now it was clear to the classical political economists that, with the emergence of a division in total income between wages and profit, prices did not correspond to necessary labour times involved in production. Consequently a controversy emerged concerning the validity of a labour theory of value, and of labour as the sole source of value.⁴ Adam Smith argued that with the emergence of commercial society, and the division of income, the labour theory of value was invalid and labour was no longer the sole source of value. Smith replaced the labour theory of value with a component theory. However, he still reserved a special role of labour in his system by using it as the basis of his measure of value. Thus Smith rejected the labour theory of value and broke the identity of labour with value and exchange value.

Ricardo, on the other hand, was firmly committed to the

The question of fixed and circulating capital in Marx and Ricardo

position that labour was the sole source of value. Ricardo attempted to explain the divergence of prices from the relative labour times involved in production by considering the durability of capital. Ricardo argued that competition would tend to equalise the rate of profit per unit of time so that capital advanced for a long period of time would have to earn a higher rate of profit than capital advanced for a shorter time. Capitalists would find that, with a given cycle of production, their capital would be divided into two: that which is consumed and realised during the cycle of production, *circulating capital*; and that part which remains for further cycles of production; *fixed capital*. Those capitalists with a higher than average ratio of fixed to circulating capital, and thus higher than average durability of capital, would have prices higher than the simple labour theory of value would indicate while those with a lower than average fixed to circulating capital ratio would have prices lower than that indicated by the labour theory of value. By dividing capital advanced into fixed capital and circulating capital, Ricardo was able to conclude that the labour theory of value is valid but is modified by the durability of capital.

This solution posed by Ricardo has one of two implications: either labour's identity with value is affirmed by breaking the identity of value with exchange value and price; or else the identity of exchange value and price with value is affirmed by breaking the identity of value with labour. Ricardo's commitment to labour as the sole source of value would seem to favour the former implication. However, Ricardo was faced with other concerns, such as the immediate explanation of prices and profits, which tempered this commitment. Consequently Ricardo failed to make a clear break one way or the other. Much of his theory consequently swung between these two underlying implications which were never made explicit.

For Marx, value is the expression of labour within the capitalist mode of production, it is the form labour takes when confronted and appropriated by capital. Thus Marx's commitment to labour is far more radical than that of Ricardo. Consequently Marx is able to cut through Ricardo's confusions by making a clear distinction between value and exchange value. For Marx value is produced within the sphere of production and is represented, and contingent upon, exchange value which is a category of the sphere of exchange.

By distinguishing value and exchange value, and locating them within their respective spheres within the capitalist mode of production, Marx distances the labour theory of value from price theory. The labour theory of value for Marx can then become a locus around which to explore the relation between capital and

labour and hence the antagonistic relation between the capitalist class and the working class.

Ricardo's dissection of capital into fixed and circulating capital emerges from his concern to immediately reconcile the labour theory of value with a theory of price determination which is incited by Ricardo's failure to make a clear and distinct break in the identity of value with exchange value. It follows from this that the categories of fixed and circulating capital straddle the spheres of exchange and production. Since, in order to pursue his task of revealing the antagonistic relations of production, Marx must analyse production in abstraction, Marx is obliged to replace the categories of fixed and circulating capital by categories contained within the sphere of production: constant capital and variable capital. Marx thereby makes his dissection of capital on the basis of the production of capital rather than on the durability of capital and the extension of its exchange value. Variable capital represents the value necessary for the reproduction of labour. It is the value the capitalist pays out in the form of wages for the labour used in production. However, unlike constant capital, which is the value embodied in the non-living means of production, labour produces more value than that necessary for its reproduction. This extra value is appropriated by the capitalist as surplus value. Thus the contrast between variable and constant capital is central to Marx's understanding of the generation of surplus value and hence the exploitative relation between capital and labour. Ricardo's concept of circulating capital is not exclusively the value of labour power, it can only approximate Marx's variable capital by suppressing the value of raw materials which is also involved in the concept of circulating capital. So it can be seen that it is vital for Marx's problematic that he suppresses the dual categories of fixed and circulating capital, in favour of the dual categories of constant and variable capital, in order that the inner relations of production may be grasped. However, Marx cannot merely stop there since, in order to clarify his analysis, he is obliged to suppress these categories when he examines how the inner relations of production are contingent upon and manifest in the sphere of exchange and distribution and how they regulate the development of the capitalist economy.

This is not to say that Marx ignored fixed and circulating capital. On the contrary Marx devotes most of Part 2 of Volume 2 of *Capital* to fixed and circulating capital and to the related problem of turnover and the distinction between working, production and circulation times. But throughout this exposition Marx's over-riding concern is clearly to define the categories so that they cannot be confused with constant and variable capital. While Marx examines the effects of fixed and circulating capital

he is obliged to curtail his analysis of their full complexities. Having completed his analysis of fixed and circulating capital, Marx proceeds by minimising and suppressing these categories so that where he is obliged to admit them he does so under simplifying assumptions.

This suppression of fixed and circulating capital, while a methodological and expositional necessity for Marx, accumulates serious problems for Marxian political economy associated with the articulation of production with circulation at one level, and the division within the capitalist class at another. In order to unravel these problems it is necessary to re-examine Marx's circuits of capital, which express the articulation of production and exchange, in the light of fixed capital.

The circuits of capital

Industrial capital and merchant capital

The circuits of capital describe the successive transformations through which capital is impelled to move as self-expanding value. The three circuits of industrial capital describe various aspects of industrial capital's movement from exchange into production, which is necessary for it to appropriate surplus value, and its return from production to exchange, which is necessary to validate and hence realise surplus value. As such the three circuits of industrial capital, as identified by Marx in Volume 2 of *Capital*, express the articulation of production with exchange. However, as has been argued above, Marx is principally concerned with revealing the essential relation between labour and capital, which is located in the sphere of production, and how this relation regulates exchange and distribution. Consequently Marx in analysing the circuits of industrial capital emphasises those aspects which express the unity of production and exchange rather than their contradictions (which for instance arise with fixed capital) since the analysis of the contradictions of the articulation of production and exchange would have obscured the exposition of Marx's specific problematic.

In order to examine the contradictions, in the articulation of production with exchange, arising from the existence of fixed capital we shall compare the circuits of industrial capital with the circuit of merchant capital which operates entirely within the sphere of exchange.

Marx introduces merchant capital in Part 2 of Volume 1 of *Capital* in order to demonstrate how the category of capital is derived from the categories of commodity and money.⁵ In doing so Marx is able to reveal the ceaseless movement and expansion inherent within capital and how this, with the generalisation of

commodity production and exchange, makes merchant capital impossible without a predominant part of it taking possession of production, and hence the generation of value, by becoming industrial capital. Our concern with the circuit of merchant capital is different from that of Marx in that rather than emphasising the transformations of capital as a process of expansion, we shall focus on the unity of those transformations imposed by their confinement in one sphere: exchange.

The circuit of merchant capital, $M-C-M^1$, is the inversion of simple commodity exchange, $C-M-C$. In simple commodity exchange a sum of commodities are sold for money, $C-M$, in order that a different set of commodities with different use-values, but with equivalent exchange value, may be bought, $M-C$. For merchant capital, however, a sum of money is used to buy a sum of commodities, $M-C$, which are then sold for a greater sum of money, $C-M^1$. In other words, during the circuit of merchant capital, capital is first transformed from its money form to its commodity form only to be transformed back into its money form from being commodity-capital. Whereas with the circuit of simple commodity production the motive force was the acquisition of particular use values, in the circuit of merchant capital it is the accumulation of general exchange values in the form of money that drives the circuit. Use-values of commodities are of no direct concern to the merchant capitalist for whom the accumulation of exchange value is the be all and end all of the matter.

Now it can be seen that the circuit of merchant capital may be divided into two phases (as can the circuit of simple commodity circulation). The first phase in the circuit of merchant capital is the transformation of capital from money into commodities, $M-C$; the second phase involves the reverse, transformation of commodity into money-capital, $C-M^1$. In purely qualitative terms the two phases are symmetrical, the second being the mirror image of the first. Of course as soon as the quantitative aspects are considered then the two phases are no longer simple reflections of each other since the object of the circuit is for M^1 to be greater than M and furthermore the duration of $M-C$ is likely to differ from that of $C-M^1$. However, this qualitative symmetry is of vital significance. The act of $M-C$ is immediately connected with the corresponding act $C-M^1$. That is as the merchant capitalist has completed the purchase of commodities then the merchant capitalist becomes a seller of those commodities. Consequently there is a one-to-one correspondence between each act of $M-C$ with each act of $C-M^1$ since the merchant capitalist buys what she sells. This is so even if, for instance, the act of $M-C$ involves merely one transaction while the corresponding act involves

numerous transactions, such as would occur in the case of a merchant capitalist who bought say 100 pairs of shoes in order to sell them a pair at a time, since the numerous transactions may be aggregated into one act comprising them all. So that in the example, when all the 100 pairs of shoes have been sold then the act of $C-M^1$ is completed.

Having completed the phase $C-M^1$, in the example selling all 100 pairs of shoes with an adequate rate of profit, then the circuit may be recommenced, since the capitalist will now have sufficient money and motive to advance the capital once more. Thus the two phases are linked both ways, when one finishes the other immediately begins. This arises because the merchant capitalist never leaves the sphere of exchange. As soon as capital is required to leave the sphere of exchange, as it is with industrial capital, then the direct correspondence and symmetry of capitals circuit is threatened.

Marx identifies three aspects of the movement of industrial capital: the circuit of money capital, the circuit of productive capital and the circuit of commodity capital. It is the first of these circuits, that of money capital, which brings to the fore the articulation of exchange with production. The circuit of money capital is represented as:

$$M-C \dots P \dots C^1-M^1.$$

That is a sum of capital in the form of money is advanced in order to buy a set of commodities necessary for production, which is denoted by $M-C$. This set of commodities are combined and set the process of production in motion, passing on their value and, as in the case of labour, generating new value which is embodied in the produced commodity, this being denoted as

$$C \dots P \dots C^1.$$

Finally the produced commodity is sold for a sum of money, C^1-M^1 . From this it can be seen that the circuit has three phases. The first and last phases, $M-C$ and C^1-M^1 , exist within the sphere of exchange and are similar to the two phases of merchant capital. The middle phase, $C \dots P \dots C^1$, exists within the sphere of production and has no equivalent in the circuit of merchant capital. With industrial capital the two phases of merchant capital have been torn apart by the need of capital to enter the sphere of production to expropriate the generator of value, labour. The insertion of the phase of productive capital between the two phases $M-C$ and C^1-M^1 means that there is no longer any immediate connection between them. The completion of the act

of transforming money capital into commodity capital no longer implies the immediate start of the act of transforming commodity capital back into money capital.

This is not to say that there is no correspondence between the phase $M-C$ and the final phase C^1-M^1 . On the contrary, if the circuit is to be maintained then, eventually, overall the transactions comprising $M-C$ must be matched by the overall transactions C^1-M^1 . However there is no necessary one-to-one correspondence between a particular transaction which is part of the phase $M-C$ with one or more transactions involved in the phase C^1-M^1 .

If we consider the circuit of merchant capital it can be seen that there exists a one-to-one correspondence between the transaction $M-C$ and the transaction $C-M^1$. If one phase is interrupted then the other is immediately interrupted. For instance, say for some reason the capitalist in our example finds there is a shortage of shoes and is unable to purchase the 100 pairs of shoes. Then the merchant capitalist, without the 100 pairs of shoes, will be unable to sell 100 pairs of shoes. Her capital will be locked in the form of money capital and the circuit of capital will be ruptured. Equally, if for some reason the merchant capitalist is unable to sell the 100 pairs of shoes then the circuit of capital will also be ruptured, but this time the capital will be interrupted in the form of commodity capital.

With industrial capital there is no one-to-one correspondence. Consequently, because different use-values of the commodities purchased for production may be consumed at different rates during the production process, there arises the possibility that part of the capital will become interrupted in its circuit in the sphere of production without rupturing the circuit as a whole.

This possibility arises once a given turnover period is specified and the various durations of the different parts of capital are divided into fixed and circulating capital. The existence of this frozen or interrupted capital has important implications for the mobility of capital, realisation of surplus value and the formation of production prices. These implications arise with the articulation of production with exchange which creates the conditions for the division of capital between fixed and circulating capital.

Fixed capital

By considering the circuits of industrial capital both before and separately from the question of fixed and circulating capital, Marx is able to suppress the contradictions of the articulation of production and exchange and to present the problem of fixed capital in such a way as to suppress its full implication concerning

the formation of production prices. Ignoring fixed capital's location in the overall movement of industrial capital, Marx presents fixed capital from a partial perspective. In accordance with this perspective Marx's examples concerning fixed capital merely follow in isolation the fate of a particular part of a capital that takes the form of fixed capital. Thus Marx takes the example of a machine worth £10,000 which lasts for 10 years.⁶

Marx argues that this machine will gradually give up its value which will be converted into money over its ten-year life span and hence its value as fixed capital will decline. With this and similar examples Marx is able to make clear the distinction between fixed and circulating capital, and variable and constant capital. This example emphasises the distinctive character of fixed capital as a form of capital that is not entirely consumed during one cycle of production and which cannot be replaced piecemeal: it fails to make clear the role of fixed capital in the circuit of capital as a whole. By taking the standpoint of the entire circuit of a particular capital in order to view the forms taken by productive capital it is possible to derive examples such as the one shown in Table 1. In this simplified example a capital is taken with a production process which requires five machines. Each machine costs £10,000 and lasts five years and each year a new machine is bought so as to replace the worn out five-year-old machine. The table represents the position at the end of a turnover, which is taken to be equal to a year. *K* represents the value of capital that takes the form of fixed capital. During the year each machine re-converts £2,000 of its value into money by passing it on to the finished product.

This £2,000, which represents the wear and tear of the machine, is denoted by *d*. The total costs of wear and tear of each machine, that is the total of *d*, is sufficient to buy a new machine to replace the oldest machine thereby maintaining the production process for the following year. *c* represents the value of raw materials which are used in conjunction with each machine. While *v* represents the value of labour power used during the year, *d*, *v* and *c* all represent values that are converted into money during the cycle of production. As such all three constitute portions of circulating capital which is here represented by *Q* (i.e. $c+v+d=Q$). *K* on the other hand represents the value of capital locked in the productive process in the form of fixed capital. In this example the total fixed capital embodied in all the five machines is £20,000. This remains the same at the end of each year since, although each machine's fixed capital declines each year by £2,000, the money freed is used to replenish fixed capital with the purchase of a new machine. So, although the total value of this capital is £40,000 ($Q+K$ or $K+d+c+d$), only

£20,000, that is Q, is required to make the complete circuit leaving the productive sphere in circulation and back into the productive sphere. However, according to Marx capital must appropriate to itself value in the sphere of production and then realise and validate this value in exchange; through this process value transforms itself into exchange value and hence price. Clearly the existence of fixed capital frozen in the sphere of production requires a modification of this process since a significant part of capital is withheld from the process of validation and realisation. In order to uncover this modification it is necessary to examine Marx's theory of prices and, its obverse side, his theory of the formation of the general rate of profit more closely.

Table 1

Machine age	K	d	c	v	Q (=d+c+v)
One year old	8,000	2,000	1,000	1,000	4,000
Two years old	6,000	2,000	1,000	1,000	4,000
Three years old	4,000	2,000	1,000	1,000	4,000
Four years old	2,000	2,000	1,000	1,000	4,000
Five years old	0	2,000	1,000	1,000	4,000
Totals	20,000	10,000	5,000	5,000	20,000
Overall capital	£40,000				

Marx's theories concerning the formation of prices and profits take as their starting point the transformation of commodity capital into money capital. Each capital ends its phase of production with a sum of value embodied in a mass of commodities. However much a capitalist has been able to expropriate surplus value it will remain worthless unless the capitalist is able to sell this mass of commodities and thereby realise its surplus value. Only by successfully transforming itself into money capital can the capital proceed: consequently the capitalist is driven to maximise its money rate of profit.

Now in order to realise itself as money capital, each individual capital must enter into exchange in competition with all other individual capitals. It is through the heat of this competition that the homogeneity of money capital is forged and the transformation of values into prices, and surplus value into profits, is performed.

Fixed capital and the formation of prices

Marx examines the transformation of value and surplus value in two stages on the basis of two types of competition: competition within a particular industry and competition between branches of industry. In the first stage Marx takes a single branch of industry producing one particular type of commodity with one established technique of production. Variations in efficiency amongst the various individual capitals that make up the branch of industry will mean that each will produce a mass of commodities with varying unit values. However, Marx argues that the forces of competition will lead to the emergence of a single market value for that particular commodity. The magnitude of this market value will be formed from the distribution of the individual value and their average magnitude.⁷ The market value will equal the price necessary to bring supply and demand into equilibrium, that is the market value will equal the equilibrium price around which the actual market price at which the commodity will exchange will oscillate.

The competition within one branch of industry therefore ensures that the differing individual values are combined and represented by a single value, the market value, and this value is directly proportional to the equilibrium price of the market which regulates market prices. This simple transformation of value into price only holds while a given branch of industry is taken in isolation. As soon as competition between all branches of industry is considered, and with it widely divergent types of production, techniques and processes, then this transformation becomes more complex.

In considering inter-branch competition Marx assumes that the rate of exploitation, that is the ratio of surplus value to variable capital (S/V), is constant. Now because techniques and processes of production vary over different branches of industry Marx argues that labour power and constant capital will be employed in different proportions therefore the value compositions of capital, the ratio of variable to constant capital (C/V), will differ between branches of the economy. Since the value rate of profit is given by the ratio of surplus value to the total capital advanced $r = S/(C+V)$ it follows that if commodities were exchanged at prices proportional to their values then money rates of profit would differ between branches of industry. Now, adopting an argument from Ricardo, Marx argues that because capitalists seek to maximise profits capital will be withdrawn from branches of industry with low profits and invested in industries with high profits; consequently supply will fall in the markets of the former and rise in the markets of the latter. These changes in supply will lead to changes in the equilibrium prices necessary to equate supply and demand. In those markets with rising supply the

equilibrium price will tend to fall, in order to encourage demand, thereby reducing the money rate of profit. The outcome of all this is that inter-branch competition will impose a tendency to equalise the money rate of profit, that is it will produce an average rate of profit. The formation of the average rate of profit will require a set of equilibrium prices giving each branch of industry a rate of profit equal to the average rate of profit.

Marx concluded that value is transformed into prices in the form of production prices, and surplus value is transformed into profit via the formation of an average rate of profit. (As such these transformations may not be as simple as that of direct proportionality but they still occur imposing the predominance of production over exchange as they do.) Through this process of transformation each individual capital, in effect, exchanges the surplus value it has produced for a share in the total surplus value produced throughout the economy. The share each individual capital gains in return, in the form of its money-profit, depends on the total capital advanced in its production. Marx, in order to avoid any confusion with Ricardo's theory of value, makes it clear that total advanced capital includes fixed capital, but as we have seen fixed capital does not enter the sphere of exchange to be realised; it remains locked in the form of productive capital.⁸

How can each individual capital exchange the surplus value it has produced for its share in the total social surplus value in accordance with its share in the total capital advanced if part of its capital, which is fixed capital, does not enter the sphere of exchange? The answer is that circulating capital, through its own transformation, must attempt to appropriate not only its own share of the total surplus value as money-profit but also that share which is attributable to the value of its associated fixed capital. Thus, just as the profit on constant capital is derived from the production of surplus value by variable capital, the profit of fixed capital is derived from the realisation of surplus value from the exchange of circulating capital. So while variable capital produces surplus value, circulating capital realises it, as money-profit.

But while fixed capital relies on the exchange value of circulating capital, circulating capital does not rely on fixed capital as exchange value but on fixed capital as a use-value which makes production possible, and which places circulating capital in a position where it can appropriate a money-profit higher than its own share in the total social capital advanced. In fact circulating capital need not realise the surplus value allocated to fixed capital at all, it can 'write off' the value of fixed capital altogether. Thus fixed capital as capital, that is as self-expanding exchange value, is under constant threat of extinction. To see how this threat

emerges we must return to Marx's price theory.

As we have seen, according to Marx, there will exist in each market a price of production which ensures that the branch of industry connected with that market will earn a rate of profit equal to the average rate of profit ruling in the economy. If the equilibrium price rises, due for instance to an increase in demand, the profits in that branch of industry will rise, thereby attracting capital from elsewhere which will reduce the equilibrium price until it equals the production price. Likewise if the equilibrium price falls inter-branch competition will restore the equilibrium price to equality with the production price. Thus the price in the market will be determined by production while the size of the market will be decided by demand. Now if fixed capital and circulating capital are considered then this is modified as follows: while a rise in the equilibrium price above the production price will induce an increase in supply, counteracting the increase in the equilibrium price, a fall in the equilibrium price will not induce capitalists in that branch of industry to withdraw capital; hence supply will not decrease and there will be no correcting force to the fall in the equilibrium price.

This arises because only a portion of the total advanced capital, namely circulating capital, completes the money-circuit of capital in the form of money. Hence only that portion of capital is in a form that allows it to be transferable to other branches of industry. When considering whether to withdraw capital from a particular branch of industry, the capitalist must consider whether it is more profitable to maintain the circulating capital as circulating capital in its existing circuit or whether it is more profitable to withdraw it from its existing circuit in order to re-advance it as fresh capital (that is as fixed and circulating capital), elsewhere. Thus the capitalist must compare its rate of profit as circulating capital with its rate of profit as total capital, which means the capitalist must compare the existing rate of profit on his or her circulating capital with the average rate of profit. It will only be more profitable to withdraw capital if the rate of profit on circulating capital falls below the average rate of profit. So although the equilibrium price may fall below the production price, thereby reducing the rate of profit on total capital, capital will not be withdrawn unless the fall in the equilibrium price is also sufficient to depress the rate of profit on circulating capital below the average rate of profit. Thus there is a range of equilibrium prices where capital will not be withdrawn from a particular branch of industry and so supply will not be diminished. But just as no capital can be withdrawn no capital will be added since any fresh capital from other branches must enter not as circulating capital but as fixed and circulating capital, that is as total capital.⁹ Only

when the equilibrium price rises above the production price thereby raising the rate of profit on total capital above the average rate of profit will fresh capital be drawn in and the supply to the market increased.

Thus Marx's price theory is modified so that rather than being transformed into a single regulating price, the production price, value is transformed into a regulating price range, with production price as its upper level. Within this range the equilibrium price will be determined by demand not value, which will determine the size of the market. However, value determines the range of magnitudes price can take, that is it determines the limits of prices. The production price, which ensures a rate of profit equal to the general rate of profit on both circulating and fixed capital and allows circulating capital itself to be realised as money, may be represented as follows:

$$P^* = q + r(q + k)$$

where q is the unit costs representing circulating capital. k is the unit costs representing fixed capital.¹⁰

or

$$P^* = (1+r)q + rk$$

where r is the average rate of profit. P^* is production price.

The lower limit of the price range is that which ensures that the average rate of profit is realised merely on circulating capital (i.e. the rate of profit on circulating capital equals the average rate of profit), and that circulating itself is realised as money which may be represented as:

$$P^{**} = (1+r)q$$

where P^{**} is the lower regulatory price.

The questions that now arise are how wide is this price range? And what determines its size? If we measure the size of the range as a proportion of the production price then:

$$\text{The size of the range is: } 1 - \frac{P^{**}}{P^*}$$

$$\text{Now from above it follows that: } \frac{P^{**}}{P^*} = \frac{(1+r)q}{q+r(q+k)}$$

If we denote the ratio of fixed to circulating capital as ϵ , then we have $\epsilon = \frac{K}{Q} = \frac{k}{q}$

$$\text{It follows that: } \frac{P^{**}}{P^*} = \frac{(1+r)q}{q(1+r+e)} = \frac{(1+r)}{(1+r+e)}$$

$$\text{Thus: } 1 - \frac{P^{**}}{P^*} = 1 - \frac{(1+r)}{(1+r+e)}$$

From this it can be seen that the size of the regulating price range depends on the general rate of profit, and the ratio of fixed to circulating capital in that particular branch of industry. The range will therefore vary across industries in accordance with the ratio of fixed and circulating capital, being large in those parts of industry with a large proportion of fixed capital and small in those parts where circulating capital predominates.

Having briefly outlined the modification of the formation of prices due to fixed and circulating capital the question arises how the formation of the average rate of profit is modified. However, such a question cannot yet be answered. The process of the formation of an average rate of profit is one of totalising capital into a whole, into total social capital, while the formation of prices is the reverse side of this process, that is the particularisation of this total social capital towards particular capitals. Marx is able to simplify the relation of these two sides of the process into being a simple dual of each other, the solution of one leading directly to the solution of the other, by taking capital as a unified whole posed against labour as a unified whole. Before we can pose the problem of the modification of the formation of the average rate of profit we must first examine the fractures that emerge in capital due to fixed and circulating capital.

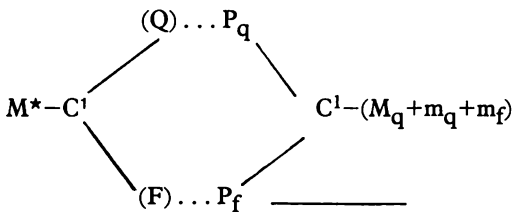
Two perspectives of capital

As we have seen above, Marx, by suppressing the categories of fixed and circulating capital when considering the circuits of industrial capital, emphasises the unity of the movement of capital and hence the unity of the articulation of production with exchange. To see more clearly how fixed and circulating capital inscribe contradictions within this unity of movement of capital we must briefly re-examine the circuits of industrial capital. To do this we shall contrast the money-circuit of capital with the productive-circuit.

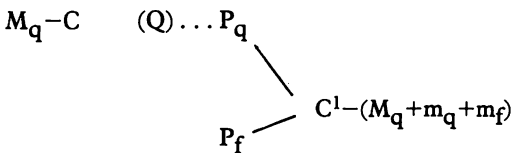
As soon as fixed capital is admitted, the money-circuit is resolved into two phases: the initial phase when the circuit of the particular capital is started; and the subsequent cycles of the circuit of that capital. In the first phase a sum of capital is withdrawn from the total mass of social capital and advanced as part of a particular capital in a particular branch of industry in the form of money capital. Having been transformed into commodity

capital this capital is divided into fixed and circulating capital. As we have seen the fixed portion becomes frozen in its productive form while the circulating portion continues on its circuit. Consequently at the end of the first phase (which may be of several cycles, if the capital is advanced over several cycles of the circuit), that portion of capital embodied as fixed capital fails to return to its money-form. However, while this portion of the originally advanced capital is interrupted in its money-circuit its existence is still recognised in so far as it can be seen to contribute part of that capital's profits. Now in the second phase the profits are drawn off and the circuit recommenced with the money capital representing circulating capital being set in motion once more. This circulating capital will return as money capital, at the end of each subsequent cycle, along with profit occurring both to itself and from the fixed capital. So fixed capital, from the perspective of the money circuit, can continue to be recognised from the profit that emerges as money capital at the end of each circuit throughout the second phase of the money-circuit (which is of indefinite duration). These two phases can be represented as follows:

First phase of the money-circuit being:



The second phase being:



M^* represents the originally advanced total money capital, Q and F represent commodity capital's division into circulating and fixed capital which leads to fixed and circulating productive capital P_f and P_q . M_q represents circulating capital in its money form and m_q and m_f represents the profits attributed to fixed and circulating capital respectively.

Now as was discussed in the previous section it is possible

for the equilibrium price to fall below the production price, thereby depressing the rate of profit, and for it still to be profitable to maintain that particular circuit of capital. This fall in the rate of profit can be interpreted as a fall in profits attributed to fixed capital and consequently as a fall in the degree to which fixed capital is recognised as operating as capital from the perspective of the money-circuit. The further this part of profit (m_f) falls the more fixed capital is diminished. The partial interruption of the first phase of the money-circuit becomes a rupture as part of the originally advanced capital M^* is lost. This partial rupture means that from the perspective of the money-circuit, a fall in the equilibrium price below the production price is of great concern. From the perspective of the circuit of productive capital, however, this concern is not shared.

Marx specifies the circuit as follows:

$$P \dots C^1 - M^1 - C \dots P$$

With the emergence of fixed and circulating capital this becomes:

$$\begin{array}{c} \text{C}^1 - \text{M}^1 - \text{C} \\ \text{P} \dots \dots \dots \text{P} \end{array}$$

There is no need to distinguish a first phase and second phase since the circuit of productive capital presumes its own existence as a particular capital. From the above it can be seen that while in Marx's version the whole of productive capital is thrown into exchange, and thereby into a series of transformations from commodity capital into money capital and back again; in the modified version only part of productive capital is transformed into capital in circulation. However, in both versions the whole of capital starts and ends the circuit as productive capital. In the fixed and circulating version the completion of the circuit is achieved through the re-unification of both the circulating and fixed parts as productive capital. Since both productive capital beings and ends its circuit as a whole, there can be no interruption and thus no possibility of a partial rupture in its movement.

From the perspective of the circuit of productive capital, the sphere of exchange and the social validation of value and capital is an unavoidable diversion. Fixed capital will be recognised as capital, from this view point, in so far as it continues to provide the means and conditions for the expropriation of surplus value from labour. So even if the equilibrium price falls into the regulation price range thereby depressing the profit attributed to

fixed capital it will be of no concern in the perspective of productive capital since fixed capital's use in extracting surplus value will still be recognised. Productive capital will only become concerned when the equilibrium price falls below the lower regulation price since this will lead to a halt in the process of circulation and thereby rupture the circuit of productive capital.

Thus the circuits of productive capital and money capital give rise to two contradictory perspectives. For the money-circuit a fall in the equilibrium price into the regulation price constitutes a partial rupture of its circuit which is something to be avoided.

For the circuit of productive capital such a situation is perfectly compatible with its functioning. The money-circuit starts and ends its cycle in the form of money, that is in the form of capital commensurable with social capital as a whole. The circuit of productive capital, on the other hand, starts and ends its circuit in the most particular form of capital, productive capital.

Consequently the perspective of the circuit of money capital becomes that of the particular capital as part of the whole social capital. The perspective of productive capital's circuit on the other hand, becomes the perspective of the particular capital itself. Thus the contradiction between these two perspectives is in fact a contradiction within the relation between a particular capital and capital as a whole, that is to total social capital.

This contradiction emerges in all industrial capitals but the contradiction only becomes antagonistic when the equilibrium price falls below the production price into the regulatory price range. With the specialisation of capitalists the perspectives of the money capital circuit and the productive capital circuit become adopted by different groups of capitalists. Banking capitalists will tend to adopt the perspective of the money capital circuit with regard to any particular industrial capital. Industrial capitalists, however, will tend to adopt the perspective of the productive capital circuit. Thus the contradiction between particular capital and social capital, that emerges with fixed capital and circulating capital, produces a division within capital which in turn leads to a division in the capitalist class itself.

This contradiction within capital, and the capitalist class, is not static but develops with the development of fixed and circulating capital. Three stages can be identified in the development of this contradiction which are associated with the development of capitalist production. In identifying these three stages it is not suggested that they form a complete periodisation of the capitalist mode of production. On the contrary a complete periodisation would involve other divisions within both labour and capital and in the contradictory relations between capital and labour. How-

ever these three stages can be considered as one moment in the overall periodisation of capitalism.

When the early merchant capitalists were forced, by the generalisation of commodity production, to find a systematic source of profit, to enter the sphere of production, they did so by adopting the putting out system. In this system capitalists would buy raw materials and then pay independent artisans to work them up into finished articles for sale. Under this system most of the durable means of production, such as tools and workplaces, were contributed by the artisans and therefore were an integral part of labour power. Consequently in this first stage fixed capital was negligible and the price theory of Ricardo, and as adapted by Marx, was applicable.

However, the capitalist did not remain content with this putting out system. In order to squeeze more surplus value out of the artisans they herded them into factories and reorganised production. The artisans' tools were replaced by the capitalists' machinery. So the capitalists were driven by profit to take possession and control of all the means of production and to transform these means of production. Constant capital was now not merely embodied in raw materials but in large powered machines and factories that have long periods of duration. Hence in this second stage fixed capital grew considerably, thereby establishing its contradiction between particular and social capital.

With the growing importance of fixed capital and thus the intensification of its contradictions, there arose an increasing specialisation amongst capitalists between production and circulation.

The growth in fixed capital meant that the minimum quantum of capital required to start production rose beyond the means of individual capitalists. More and more capital had to accumulate as money capital before it could be advanced as industrial capital. So industrial capital became more dependent on bankers and rentiers to advance loans and to buy shares in order to raise the quantum of starting capital, but these circulation capitalists demanded a return on their investments in the form of interests and dividends. Through these returns the circulation capitalists, in effect imposed the perspective of money capital, that is of social capital, while the industrial capitalists, who saw such returns as a deduction from profit, and thus as a cost to be reduced, resisted by adopting the perspective of productive capital. Thus in the second stage, the contradiction between social capital and particular capital became mediated through the rate of interest established on loans and shares.

This mediation of this contradiction also leads to a further modification in the formation of prices. The rate of interest is

paid on all capital whether it is destined to be fixed or circulating and thereby makes them commensurable. By imposing a given rate of interest, circulation capitalists not only appropriate a share in the profits of industrial capital, but also establish a minimum amount of profit attributable to fixed capital which will be necessary for fixed capital's validation as part of total capital. If industrial capital fails to make this profit then it will not be able to pay the interest on it and is liable to be called into default. In so far as the industrial capitalist sees the payment of the full interest on the total capital advanced as necessary to avoid default then interest becomes a cost from the viewpoint of that capitalist. Consequently the regulatory price range will be modified as follows:

The upper regulatory price will remain the production price since the average rate of profit must be higher than the general interest rate and therefore interest can be paid completely out of the total profit. However, the lower regulatory price will be defined as:

$P = (1+r)q + ik$, where i is the rate of interest.

The full general rate of profit must still be earned on circulating capital since this is what it would expect to earn if it was transferred but a further amount must also be added to cover the cost of the interest payments on fixed capital. So the regulatory price range becomes:

$(1+r)q + ik \leq P_e \leq (1+r)q + rk$, where P_e is the equilibrium price.

It can be seen that a rise in interest rates not only redistributes surplus value in favour of circulation capitalists but also reduces the price range by raising the lower regulatory price. Thus a rise in interest rates reduces the divergence of equilibrium prices from production prices.

The third stage emerges with the emergence of finance capital. Industrial capital becomes more interdependent with banking capital. Industrial capital has to find access to larger portions of the total capital as it becomes more concentrated and thereby becomes more reliant on banking capital and the perspective of the money capital circuit. Banking capital, by becoming more involved with industrial capital becomes so committed to a few large capitals that it can no longer impose default. So banking capital is forced to adopt the perspective of the productive capital circuit. Consequently at several points banking capital merges with industrial capital to form finance capital. Finance capital does not resolve the contradiction; in fact it makes it

worse for two reasons. Firstly, the institutional unification of the two perspectives means that they are not clearly defined as a relation within two distinct groupings of capital. Secondly the associated growth of monopoly capital means that in certain branches of industry equilibrium prices can be pushed above the prices of production thereby extending the regulatory price range.

This intensification of the contradiction between social capital and particular capital opens the way for state intervention as a means to mediate it.

Conclusion

In this concluding section a brief outline will be given of the avenues of investigation that are suggested by the analysis contained in the preceding sections.

The analysis within this paper has emerged from a close re-examination of Marx's critique of classical political economy focusing on the first two parts of Volume 2 of *Capital*. To proceed with this re-examination would involve investigating the third of Marx's circuits of industrial capital, the circuit of commodity capital, together with his schemes of the simple and expanded reproduction of capital. Such an investigation would allow us to go beyond merely posing the formation of prices in terms of a particular circuit and its relation to total social capital, to posing the formation of prices in terms of the simultaneous and sequential movement of all the individual circuits of capital that make up the economy. This will raise problems concerning the capitalisation of surplus value since the formation of equilibrium prices below production prices in some parts of the economy will close them to investment of surplus value. Consequently it will be necessary to examine the co-existence of simple and expanded reproduction in an economy divided into those branches of industry with equilibrium prices equal to production prices and those industries with equilibrium prices below production prices but above lower regulatory prices. Furthermore, if there exists an overall expansion in the economy then there will exist a tendency for demand in each branch of industry to grow. A growth in demand will, in those industries with equilibrium prices below production prices, push up the equilibrium price. Thus in an expanding economy there will exist a tendency for equilibrium prices to converge on production prices.

From this we can see that such an investigation leads towards a dynamic theory of price formation from which elements of an abstract theory of uneven development can be discerned as follows:

Surplus value, restricted to being capitalised in certain branches of the economy, becomes over-concentrated in those branches of industry causing them to expand faster than demand.

Meanwhile those branches of the economy closed to the capitalisation of surplus value stagnate and increasing demand gradually raises equilibrium prices. Eventually the equilibrium prices of the former branches fall below production prices through over accumulation, while in the latter branches of industry equilibrium prices become equal to production prices. Thus the situation is reversed; those branches of industry that were expanding stagnate, while those that stagnated now expand. With such a theory of uneven development and with the completely modified theory of price formation, including the formation of monopoly prices, it will be possible to produce the modified theory of the formation of an average rate of profit. We will then be in a position to reformulate Marx's theory of the tendency of the rate of profit to fall.

Alongside this investigation it will be necessary to explore both intra-industry and inter-industry competition. Because Marx is obliged to emphasise the unity of capital in posing its relation to labour his theory of competition tends to be general, although his notion of it as a constant battle is a radical departure from the notions of neo-classical economics.¹¹

However, by shifting the focus to the divisions within capital it becomes possible to make a more detailed examination of the forms and transformations of capitalist competition. Intrinsic to such an examination, particularly of intra-industry competition, will be the theory of technical change since it is through technical change that different capitals seek to gain advantage over their rivals. A. Shaikh (1978, 1980) has considered competition and technical change in terms of fixed capital. This work seems a useful point of departure for such an investigation. A third avenue of investigation is that of integrating the analysis presented in section 5 with a general periodisation of the capitalist mode of production.

Combining these three avenues of investigation with those theories concerning complete ruptures in the movement and validation of capital will open the way for much deeper analysis of the efficacy of fiscal and monetary policy, state intervention and the current crisis of capital.¹²

These three avenues of investigations merely map out the implications of the divisions within capital that emerge from the categories of fixed and circulating capital. Other divisions almost certainly exist. Thus in this paper we have covered only a small part of one prong in the fork of analysis implied in the reversal of Marx's specific problematic. Our analysis has only concerned itself with one part of the divisions *within capital*. The divisions *within labour* have not been considered.

To conclude: it has been seen that by re-examining Marx's

critique of political economy in order to uncover the dual categories of fixed and circulating capital it has been possible to make a small initial step in reversing Marx's specific problematic which is necessary if we are to proceed towards the foundation of a materialist political economy. In making this step it has been shown how fixed and circulating capital produce a contradiction within the movement of capital and the articulation of production with exchange. This contradiction expresses itself within the relation of particular capitals to total social capital, through a modification in the transformation of value into prices and underlies a division within capital and hence the capitalist class.

Notes

1. Marx's critique of political economy is taken as his works contained in *Capital* and *Theories of Surplus Value*. Marx (1969a, 1969b, 1971, 1976, 1978, 1981).
2. This is not to say Marx ignored divisions within classes. Marx, for instance, in Volume 3, distinguishes between several types of capitalist. However, Marx's purpose is to demonstrate how certain forms of 'income' associated with these different types of capitalists are derived from, and are divisions of, surplus value. Marx does not examine the relations between these fractions of capital beyond that which is necessary to carry out this purpose.
3. Throughout this paper the concepts of the 'sphere of exchange' and 'circulation' have been taken as more or less interchangeable. This is taken as permissible since the paper is not primarily concerned with questions of distribution either between particular capitals or between classes or fractions of classes.
4. For a more detailed examination of the labour theory of value in classical political economy compared with Marx, see Fine (1982).
5. See Marx (1976: 247-269).
6. See Marx (1978: 243).
7. See chapter 10 of Volume 3 of *Capital* (1981: 273).
8. This assumes that fixed capital must be added at the margin. This seems plausible for capital coming from capitalists not already involved in that branch of production since they have to set up factories, buy machines, etc. However, already existing factories and machines may be under-utilised allowing those capitalists already involved in that branch of production to re-invest their profits entirely as circulating capital.

9. This assumes that all capital is originally borrowed for that particular circuit of capital.
10. In order to express the production price as the price of a unit of the commodity produced it is necessary to express the capital advanced as the costs of the units of commodities used in production. In order to avoid confusion two points of clarification should be noted. Firstly, fixed capital must not be confused with a neo-classical concept of fixed costs which denotes those costs that do not vary over a range of output. Since we are not concerned here with variations of cost with marginal variations in output it is assumed, for the sake of simplicity, that the output, the mass of commodities produced, is given with a given mass of advanced capital. Thus the 'unit costs' of each part of the advanced capital, whether fixed or circulating, is simply its money value divided by its given quantity of output. This of course obscures such questions as excess capacity that are associated with fixed capital, however such questions concern the relation between the equilibrium price and the market price rather than the relation between the equilibrium price and the production price. Secondly, these equations are expressed in terms of money. It is taken that the 'unit costs' of both fixed and circulating capital have already been transformed from their values into prices.
11. C. Wheelock (1983) for an overview of the Marxist conception of competition and Shaikh (1978) for competition in relation to the falling rate of profit and fixed and circulating capital.
12. M. de Vroey has undertaken an interesting analysis into the failure of capitalists to realise value and surplus value and the effects this has on money, credit and prices. As such this analysis constitutes a theory of complete, as opposed to partial, rupture of the movement of particular capitals. It is an important contribution in that it shifts the emphasis of analysis away from the cohesiveness of the capitalist mode of production. See de Vroey (1982, 1984).

- de Vroey, M. (1982) 'On the obsolescence of the Marxian Theory of value: Critical Review', *Capital and Class* 17.
- de Vroey, M. (1984) 'Inflation: A non-monetarist monetary interpretation', *Cambridge Journal of Economics*, Vol. 8, No. 4.
- Fine, B. & Harris, L. (1979) *Rereading Capital*, Macmillan Press.
- Fine, B. (1982) *Theories of the Capitalist Economy*, Edward Arnold.
- Marx, K. (1976) *Capital*, Vol. 1, Penguin.
- Marx, K. (1978) *Capital*, Vol. 2, Penguin.
- Marx, K. (1981) *Capital*, Vol. 3, Penguin.
- Marx, K. (1969a) *Theories of Surplus Value*, Lawrence & Wishart.
- Marx, K. (1969b) *Theories of Surplus Value 2*, Lawrence & Wishart.
- Marx, K. (1971) *Theories of Surplus Value 3*, Lawrence & Wishart.
- Shaikh, A. (1978) 'Political Economy and Capitalism: Notes on Dobb's Theory of Crisis', *Cambridge Journal of Economics*, Vol. 2, No. 2.
- Shaikh, A. (1980) 'The law of falling rate of profit and the competitive battle: comment on the so-called choice technique', *Cambridge Journal of Economics*, Vol. 4, No. 1.
- Wheelock, J. (1983) 'Competition in the Marxist tradition', *Capital and Class* 21.

References

KHAMSIN No 12

The Gulf War

including papers given at a conference organised by
The Committee for the Defence of the Democratic Rights
of the Iranian People

Eqbal Ahmad *on the Iran-Iraq War*
Joe Stork *on Arms and the War in the Gulf*
also with papers presented by
M Ja'afar, R Keivan, A Ashtiani & M Arman,
and a review article by **Azar Tabari**

and an essay by **Adel Samara** on
Arab Nationalism & the Palestinian Question

£3.50 (\$6.00) per copy plus £0.50 (\$1.00) postage from

Ithaca Press 13 Southwark Street London SE1 1RQ

or 3 issues by subscription from **BM Khamsin, London WC1N 3XX** at
£10.50 (\$16.00) for individuals; £14.50 (\$24.00) for institutions, post free
add £2.00 or equivalent for cheques drawn on banks outside UK

Alan Cochrane

What's in a strategy? The London Industrial Strategy and municipal socialism

Allan Cochrane reviews the main themes in the GLC's *London Industrial Strategy*. He argues that the LIS provides a welcome and challenging, if untested, re-definition of economic intervention by the local state. But he contends that its approach is flawed because it sets up strategies for intervention in different sectors of the economy as an alternative to overall economic and social planning and fails to address the limits and contradictions of a policy that concentrates on intervention in local markets as its main tool for achieving social and economic change. 187

**The London Industrial Strategy*, Greater London Council, 1985. 633pp, £5.00 p/b, £15.00 h/b.

188 ONE OF the few glimmers of hope in the depths of Thatcherite gloom has been the development of new initiatives – some would say a new politics – at local level. This is doubly remarkable: first because it has run counter to the prevailing demoralisation and secondly because until the end of the 1970s, local government was felt by many activists to be a political arena of stultifying boredom and irrelevance. The rise of the new municipal socialism in some if not all of Britain's cities has changed that. The Greater London Council (GLC) in particular, has been at the forefront of these developments and has increasingly been presented as a socialist success story which should provide a model not only for other local authorities, but also for the socialist movement as a whole.

The advantages of abolition

As a socialist model, of course, the GLC has one rather unfortunate advantage not (yet) shared by all the other left Labour councils. It is to be abolished later this year. This places it in rather a special position. It means that some of the claims it makes cannot be judged over a longer period and it discourages criticism since, we all agree, it needs to be defended against Tory attack. There is a danger that the GLC (and the other metropolitan counties) will simply disappear into the rosy mists of time, their policies and practices hallowed by the very act of Thatcherite abolition. But the GLC has by now produced enough material of its own to allow us to escape from these limitations and to give the experiment the serious consideration it deserves. Is it really possible to conclude, as Anthony Barnett did in *New Socialist*, that the GLC 'signalled the end of labourism and the start of socialism in Britain' (Barnett, 1986: 20)? Did it?

The *London Industrial Strategy (LIS)* is probably the fullest statement of GLC policy

in any single area. It focuses on industry and employment and also draws in many of the other policy priorities associated with the Livingstone leadership, and the attempt to build what Stuart Hall has called 'a new historic bloc in the politics of socialism' (Hall, 1984: 39), bringing together women, ethnic minorities and other 'new social forces' into an alliance capable of bringing about more fundamental change. The attempt by the new municipal socialist authorities to tackle problems of employment in a way which challenges the market marks them off from other more 'mainstream' councils. It has become a symbolic badge of their socialist commitment. So a consideration of the *LIS*, which is the most consistent expression of that policy, is relevant not only to an assessment of the GLC's recent innovations but to the growth of 'local socialism' as a distinct trend. It is also one of the most interesting and exciting publications to come out of any local authority in living memory.

The focus on the local economy

The *LIS* vividly charts the failures of monetarism in London, directly challenges the policies which flow from it and questions a reliance on the market as a means of restructuring economy and society. The focus on London is important for the *LIS* not just because it was produced by the GLC, but more positively because it allows the argument to develop around issues which its local audience will recognise, particularly if they approach it through the sectors in which they are most involved. It becomes possible to make connections between abstract national statistics of decline and the experience of everyday life in a way which can allow for detailed differences. We have here a picture of a living – if ailing – city in the process of economic and social re-

structuring.

The strategy goes beyond a simple attack on monetarism to question the Keynesian alternative which is gradually (if not always explicitly) re-emerging as the orthodox policy of Labour and a wider range of political 'moderates'. Keynesianism is inadequate, says the *LIS*, because it ignores the importance of production, concentrating instead on a narrow range of symptoms and tinkering with the level of demand. It is incapable of tackling the problems of corporate restructuring and deindustrialisation which underlie Britain's economic crisis. Its supporters have in the past too easily been forced to accept the logic of monetarist arguments because of a shared reluctance to interfere with market forces as they determine priorities in production. Yet, 'It is in the process of production,' *LIS* stresses, 'that competitiveness and profitability are determined. It is the conditions in production which explain the long term movements in the indices of the fever chart, the value of the pound or the city's closing prices. It is decisions about production – what is produced, in what quantities and by whom, which determine the extent to which an economy meets the needs of its people'. As a result, 'what is required is a change of direction in economic strategy, towards direct intervention in production' (p. 17). It is this change in direction which *LIS* seeks to exemplify.

Production is not narrowly defined, however. Instead it is made clear that it is a social process involving all of us and raising questions about the organisation of society. The issue is how to organise 'an economy to meet the needs of its people'. This means that areas which might be excluded from consideration by a more orthodox economics are presented as central to the *LIS*. Not only its concern for the public sector (including sectors such

as the health service and public transport), unusual in this context, but its consideration of the homeworkers, for example, and its focus on the nature of the products of the food industry have few echoes in more traditional industrial strategies. It is able to focus on areas such as West London and Docklands, too, because of its conscious focus on local communities. But most important, the *LIS* recognises and emphasises the significance of domestic work as an element in production rather than an issue of private arrangements within the household. This recognition is potentially the most radical point in the strategy. Its implications undermine the basis of all policies which start from a notion of the 'economy' as somehow separate from and independent of other social arrangements. All 'economic' decisions also become political.

Concentration on the market

The Introduction sets out the ground rules on the basis of which the GLC and GLEB operate their industrial strategy. And the choice of the word 'strategy' is crucial to these. As well as challenging the approaches of monetarism and Keynesianism, the *LIS* also criticises approaches to intervention which start from notions of planning from above. Its authors reject the possibility of the state's developing economic blueprints which are then handed down to be implemented office by office, factory by factory. It rejects too the notion that the market can simply be replaced by some other mechanism of economic decision-making. 'Alternative strategic planning . . . cannot ignore the market. The market exists. But it should be taken into account not as a determinant of what is produced and how but as a political force' (p. 39). The *LIS* argues instead that the development of sectoral

190 strategies should make it possible to increase social control over the process of production.

This social control need not be state control (it may, for example, involve co-operative organisation), although state support can be helpful. To be successful, those working in the industries also have to be involved, it is stressed, as well as those who consume its products. The *LIS* starts from the view that the London economy is 'composed of innumerable battlegrounds' (p. 2), some of which can be identified as sectors, and the London-wide strategy is basically a bringing together of many different sectoral 'strategies' between two covers. The battlegrounds offer scope for GLC intervention on the side of those challenging the dictates of the market, whether these are workers, women, ethnic minorities, gay men, lesbians, the disabled, local communities, or sometimes even small firms. The GLC aims to help restructure industry in the interests of these groups rather than those of capital. GLEB has an active packaging role in this: it is not just a passive provider of banking finance. The aims of the GLC alternative are 'better wages and conditions, greater social control within the enterprise, equal opportunities and socially useful production' (p. 38).

One element of GLEB's activity has been the development of enterprise plans as a means of carrying forward their policies. These plans are agreed by GLEB, employers and trade unions, generally to support the position of workers and to encourage equal opportunity policies, but also in some cases to encourage particular directions of commercial and product development. They (along with attempts to use purchasing power to ensure compliance with certain minimum standards) are the main teeth of the strategy. Enterprise plans insofar as

they involve workers in opening up new areas of decision-making may be important elements in developing a socialist industrial policy. They begin to break up the sharp divisions between manager and managed (and sometimes owner and worker) which currently characterise corporate economic planning within the private sector. Workers begin to train themselves to run industry. In this sense the enterprise plans may begin to act as a beacon showing a pathway to socialism.

Redefining economic decision-making

Through their intervention the GLC hopes to change the accepted rules of the economic game, so that 'efficiency' and 'viability' are no longer defined solely in terms of immediate financial return. They do not just want the social consequences of economic decisions to be considered, but they want to change the way that 'economic' is defined. One of the tasks of the *LIS* and a great deal of the GLC's other published material is clearly to change the way people think about the world – for example by making the economy something manageable and understandable, instead of abstract and distant. The arguments for greater involvement by workers and communities, too, help to show that other economic rationalities are possible. Not only investors have economic interests. GLC funds are also directed in ways which tend to favour those like ethnic minorities, who have often been disadvantaged by the normal operation of economics. The opening up of decision-making may even offer greater long-term 'viability' if it allows firms or co-operatives to tap the expertise of the workforce in helping to identify new socially useful products. The time horizons of investors need to be shifted so that instead of short-term gain, longer term returns become an

acceptable measure of success.

In many ways, therefore, the approach of the *LIS* does represent a major shift in the practical politics of the left and the focus on production is vital if we are to escape from the stifling embrace of the born again Keynesianism which shines through Labour's Jobs and Industry Campaign. Despite the difficulty of wading through hundreds of pages of detailed, sometimes not so detailed and sometimes rather eccentric sectoral strategies it was certainly worthwhile attempting to bring together material and constructing a critical analysis of the London economy, instead of leaving us to rely on the business press.

Municipal triumphalism

But the *LIS* raises as many problems for socialists as it seems to solve, as one should presumably expect from a political programme which is a continuing process, rather (Kenneth Baker permitting) than a finished statement. One difficulty in reading it and assessing its claims was hinted at earlier. It's prepared in the context of abolition and it is difficult to ignore that this is another one of the GLC's services being sold to us as a success story which should be retained. It's also, of course, being sold to the Labour Party as a success to be implemented nationally later. So, although one of the arguments running through the *LIS* is that different strategies are needed for different sectors and perhaps also for different firms and different localities, the claims made for the overall strategy are by no means modest.

It is implied, on p. 62, that the aims for job creation set out in the 1981 Labour Party manifesto have virtually been achieved, although a closer look at the figures suggests that it is not the case (instead of the 10,000 jobs a year promised by

1985, even *LIS* only projects the saving or creation of 14,000 jobs, on the basis of current policies, over the next four years). Since most local authorities greatly exaggerate the employment impact of their economic policies, or at any rate don't ask too many questions about the figures their officers provide, perhaps we should not take these estimates too seriously. The strain of municipal triumphalism which comes out from time to time in the *LIS* is not a particularly convincing one. One has little confidence that failures and successes are being looked at equally carefully. Even so, the gap between some of the claims of the *LIS* and its apparent achievements often seems quite wide. Many of the sectoral strategies are still making promises for the (post-abolition?) future. In other cases individual projects seem to be carrying a lot of weight for entire sectors. And in one or two cases (e.g. the provision of workplace creches and the policy for in-house printing) the major changes seem to have taken place within the GLC itself and the external impact is unclear. Despite the overall breadth of the analysis, the only sectors in which detailed attempts have been made to intervene at a strategic level seem to have been in a few of the more traditional (and declining) manufacturing sectors, such as furniture and clothing. Elsewhere they have been left on the fringes, to deal with individual cases or to comment from the outside. Banking and finance is not even considered as a separate sector, which presumably awaits the future publication of the London Financial Strategy but still leaves a peculiar gap here.

The problems of a sector-by-sector approach

But, really, these are minor disquiets. After all, some of the claims could simply be made a little more modest, as long as

192 the general direction being taken is hopeful. It would be unfair to be over-critical of policies which have not yet developed their full potential. My other doubts raise rather more fundamental questions. They arise directly out of the nature of the strategy being developed. 'Each case,' according to the *LIS*, 'required its own strategy, geared at first to the immediate terrain, but then broadening out to the developing contours and prospects of the industry as a whole' (p. 2).

This is a very seductive approach, which allows a way in for local authorities. But it doesn't explain how the different parts can be expected to fit together after the event. Indeed the practical proposals for market strategies tend to maintain and even emphasise the separation between the sectors (and even types of firm) instead of bringing out once more the points highlighted in the Introduction where it is stressed that it is the social product which matters, not merely that of individual producers. This is particularly clear in the discussion of privately-owned manufacturing industry – e.g. food, furniture, clothing, instrument engineering – where the strategy proposed is straightforward. London's middle-sized firms should forsake mass production and turn, instead, to more flexible strategies producing good quality, well designed, goods for more specialist markets in which buyers are prepared to pay a premium.

The argument developed for the furniture sector is a good example here. As elsewhere in the book, a critique of past commercial failures is presented which is impressive not only in its own right but as a criticism of the way in which decisions are taken by markets which in this model get reduced to the big retail chains. In this case firms turned to mass production to reduce costs, but by reducing flexibility became dependent on big retailers who

now exert enormous pressure on producers over design, quality and price. According to the *LIS* in order to escape from this trap, furniture firms need to be smaller, more flexible and more design oriented. It suggests that there will be sales and survival if such reorganisation takes place.

Radical management consultants?

In other words, the GLC and GLEB seem to be in danger of becoming radical management consultants rather than moving towards socialist solutions. They frequently suggest that they understand how to work better within the market, often – e.g. also with the clothing sector – using their knowledge to indicate ways in which currently weak and disadvantaged groups can be given more power to deal with the big retailers. Increased consumer demand for specialist and better designed goods has, they say, created new niches in the market which these firms can occupy. The discovery of such niches should perhaps not be dismissed too readily since some workers at least may find their conditions involved, but it hardly provides the basis for a London-wide strategy which can solve the problems of economic decline so graphically illustrated at the start. One is also left with nagging doubts about the confident predictions of future markets: after all Triumph and BSA used to say the same to justify their concentration on big bikes until the Japanese started to produce them more cheaply.

As a result of the plunge into many strategies without a plan some of the most important political points made in the Introduction get downgraded in practice. This is particularly true of the arguments around domestic work and childcare. In the Introduction it's upfront. By the time we get to the strategies, it's one 'sector' among many. Unlike the others, however,

this one feeds (literally) into all the others. Despite all the efforts to somehow bring it back in proposals for equal opportunities which appear in many of the strategies it has lost its direct significance. It is merely another one in the list of good employer conditions which the GLC and GLEB try (not always successfully) to impose on those firms which they assist. Instead of change arising out of the needs and demands created by the organisation of production (as implied in the Introduction) and by the social forces associated with it we are left with the familiar model of good people trying to encourage (or force) others to change. Similar problems are apparent with the notion of socially useful products. It is simply assumed that we all know what they are, or perhaps that a department of the GLC can tell us. It is unclear how they can be related to any overall assessment of priorities for production.

The need for overall planning

In the end the debate about 'plan versus market', which the authors of the *LIS* chose to dismiss on p. 39, comes back to haunt them. Of course, no plan can be drawn up in the abstract and handed down from above. Of course, too – as the GLC and GLEB have shown so effectively – only the active involvement of many thousands of people at workplaces and in local communities can give any life to planning. But the GLC experience *also* seems to show that only when it is possible to make some overall assessment of the process of production and the needs it is supposed to meet will it be possible to succeed in the aims the GLC has set itself. Until then

bodies such as the GLC will be left responding to urgent demands, trying to second guess the market, losing and winning some worthwhile battles. By setting itself against any notion of planning – except a left version of the planning imposed by the retail chains – and, it appears, against any programme of nationalisation – the *LIS* undermines many of its stated aims. The policy of working 'in and against the market' seems to mean aiming to achieve the most sympathetic market alternative and, to be honest, it is difficult to see how this differs from the intentions of the labourism which Barnett dismisses so easily. The GLC's practice has not yet been tested so critically.

The GLC since 1981 has been an important experiment, involving a remarkable set of people in developing its economic policies. The *LIS* is a statement of progress so far and an attempt to bring the work together. It is an impressive document, which creatively stretches local authority powers to their limits. It shows too, both explicitly in the Introduction and implicitly elsewhere that production is a social process which needs to be viewed as a whole. Unfortunately by shying away from the implications of this and retreating into 'innumerable battlegrounds' it fails to take up the debates about planning and ownership which will be needed if we are to escape from market dominance and the power of profit.

References

- Barnett, A. (1986) 'Whistling in the wind?' *New Socialist*, No. 34, pp. 17–20.
- Hall, S. (1984) 'Face the future', *New Socialist*, No. 19, pp. 37–39.

Book reviews

The Nation-State: The Neglected Dimension of Class

Carolyn M. Vogler

Aldershot, Gower, 1985, £16.00 h/b, £8.95 p/b, 200 pp.

Reviewed by Sol Picciotto

THE TITLE of this book correctly identifies a serious inadequacy in both Marxism and social science generally. Unfortunately, despite its pretensions, the book itself adds little to our understanding of the issues, and muddies the waters considerably by presenting superficial and contradictory analyses and crude misrepresentations of relevant debates.

The author argues that capitalism as an economic system emerged within the context of a pre-existing multi-state political system and that nations and classes were formed simultaneously, in the 17th century (p. 65). Relying largely on various writings of Michael Mann, it is further argued that, since 'capital' developed on a national basis, class consciousness was therefore also national, and class organisations (mainly trade unions) were also nationally based, not as a matter of 'false consciousness', but because of their actual 'material' base (pp. 72-75).

The book points out, however, that since 1945 there has been an increasing economic internationalisation, principally through foreign investment by multinational companies, which has produced a

dualised economy, especially in less competitive countries such as Britain, which has been unable to attract sufficient foreign investment to compensate for the decline of the domestic sector and help fund the state sector (p. 19). Nevertheless, this does not reduce them into economic actors within which class antagonisms are replaced by consensual 'corporate' relations aimed at optimising the state's position in the world market (p. 18). A distinction is made between 'class corporatism' in the richer states, in which the subordination of class to nation in national political bargaining by a centralised trade union movement has been able to generate real class gains (Austria, Norway, Sweden; pp. 168-9), and on the other hand 'collaborationist corporatism' in less competitive states such as Britain, where the dominance of international economic forces means few class gains and dualism or heterogeneity between sectors, with the nationally-organised trade union movement representing workers only in the declining national sectors (pp. 169-71). This also produces 'micro-corporatism' by the primary labour force at enterprise or plant level.

Vogler argues that exploitation now takes place between as well as within countries, and classes are internationally hierarchised, since surplus value is re-distributed internationally through high wages and repatriation of profits (a modified version of Emmanuel's argument, pp. 10-26, 161). The achievement of any control over market forces by class struggle would require strong, national (not sectional) trade union movements with internationally co-ordinated actions (p. 172). However, since Vogler's explanations of how the inadequacies of the labour movement have come about are confused, to say the least, it is not surprising that she offers not the slightest suggestion as to

how any internationalisation of class struggle might be achieved. 195

Although this may seem a rather bare summary, I venture to suggest that it presents most of the book's arguments, probably more coherently, since their frequent repetition at various points in the book is combined with superficial and often misleading accounts of other theories, which creates confusion. The book's starting-point is a criticism of what is claimed to be Marx's 'predictive model of the transition to socialism'. Marx, it is said, 'explicitly argues that nations and nationalism are unimportant for class relations' (p. 1), and he simply expected the increasingly global nature of economic forces to undermine national political units, which would be swept away by an internationally organised working class. It is repeatedly stated throughout the book that Marx and Marxists have considered class and nation to be mutually exclusive categories (e.g. pp. 47, 158). Whatever the inadequacies of Marx's and subsequent Marxists' views of the national question (discussed recently by Nimni in *Capital & Class* 25, and in 1976 by Lowy), Vogler's representation of them is a crude travesty. The only text of Marx that is cited is the *Communist Manifesto*, and there is no reference to or discussion of Marx on India or Ireland (which was instantly mentioned by my nephew Mark, who is in the first term of his O-level sociology course, when I read him Vogler's account).

The treatment of Marx is symptomatic of the way in which the arguments in the book are developed generally. Potted and usually superficial accounts are given at a relevant point in the text of authors or works cited, and they are then pigeon-holed and labelled, often even more inaccurately, so that the label can be produced and mentioned regularly in the subsequent argument. Virtually none of

196 the frequent references cites a specific page number or part of a work. This is graduate student work at its worst.

The origins of the work appear indeed to be a graduate thesis in which sociological theories of stratification were to be combined with development theory (Amin, Emmanuel) to produce a proposition which could be 'empirically tested'. The 'empirical' core of the book is a case-study of British trade unions to establish the relative importance and relationship of national and class consciousness. This was done by a 'quantitative' analysis of the use of the pronoun 'we' in trade union publications, comparing the 1930s and the 1970s. Both the TUC and a selected sample of unions were analysed, covering trade union journals, TUC conference reports and trade union submissions to Royal Commissions and Committees of Inquiry (p. 91).

Mercifully however the study was not confined to quantitative analysis; we are given a few actual quotations from documents, and the argument is also based on a discussion of secondary sources. The conclusion is, very broadly, that trade unions showed predominantly class identity in the 1930s although it is argued that this was focussed on the obtaining of class gains from the national state, and the occasional use of internationalist class rhetoric is said to show that the unions would have liked to be internationalist but could not since there was no 'material base' in the form of international structures that could offer class gains. By the 1970s, however, the development of national 'corporatist' structures resulted in a very predominantly national consciousness reflected in the use of 'we' to imply or argue for a common front with employers and the state against 'they' the foreigners; the only significant exception to this being that individual unions' national identity

was also a sectional 'company identity'. Here the argument is slightly more dense than my summary; it is, for instance, conceded that forms of collective identity must be related to 'other elements of consciousness' such as action; but the attempt to do this is limited to very skimpy discussion of secondary sources, plus a 'qualitative' analysis of TUC International Committee reports (which incidentally, were left out of the 'quantitative' study because they were usually written in the third person, thus cunningly avoiding the use of the word 'we'!). It is also stressed (p. 93) that trade union documents tend to be written by trade union leaders, who cannot necessarily be assumed to be representative of the membership as a whole; however, what is assumed is that they tend to have a *more developed* 'collective consciousness' than ordinary members!

For me, however, the book's greatest inadequacy is its lack of any theory or even discussion of the nature of the state or the international state system. The author's starting point is what is referred to as the 'institutional' separation between economics and politics, which are said to be nevertheless 'co-extensive at the national level' (p. 155). The implicit state theory behind her account seems to be that 'capital' is economics, while politics essentially consists of 'labour' attempting to obtain concessions or politically regulate the economic forces within state boundaries. In the 19th century the bourgeoisie (which is also sometimes referred to as 'capital') entered into the state and used it to remove the remaining political controls on the market after which the state's economic role was reduced (p. 68). This is apparently because the power of capital then came to operate not through organisations but through the 'invisible hand' of the market (p. 156). For the bourgeoisie, therefore, states are political and cultural units, and

bourgeois class interests articulate with nationalism to establish the modern nation-state (to support which the OED definition is cited – p. 69). Within this theory, ‘corporatism’ (which is variously defined as ‘state organisation of the national economy’ (p. 66), and ‘a fusion of economics and politics at the national level’ (p. 19)), is said to be ‘the result of a territorial disjunction between market forces which are able to operate internationally, and political units which remain divided and national’ (p. 67).

Vogler operates within a fairly typical ‘sociological’ perspective of the state, and completely fails to understand the essential Marxist starting point of ‘capital’ as a social relation of exploitation. It is therefore not surprising that she criticises Marxist state theories as functionalist since, according to her, they see new forms of state as arising in response to the ‘needs’ of capital. What recent Marxist theorists have analysed as changes in state forms as part of the historical development of class relations structured by the (contradictory) processes of accumulation, she sees in a functionalist way, because of her own misconceptualisation of a separation between ‘capital’ and ‘class’.

This misconceived starting-point not only means an inadequate approach to the state, but also, more seriously, to the international state system. Since the state is seen as a hermetic political unit, international relations are seen as struggles to appropriate surplus. International state structures are barely mentioned, and where they are they are curtly dismissed as failing to live up to some ideal of a ‘world state’ (pp. 30 & 148; the only work on international organisation cited is Inis Claude’s book of 1964, apart from some works on the EEC).

In reality, it is not so easy to separate ‘economic’ from ‘political’ state functions,

and the emergence of the modern capitalist state from the 19th century has very crucially been as part of an international system. The international circulation of commodities (which is not the same as ‘free trade’ – p. 67) involved international systems of comensuration such as the Imperial and Metric systems, as well as internationally regulated transport and communication systems (e.g. international rivers, and posts and telegraphs), international health measures such as quarantine systems and anti-epidemiology, and indeed systems of property, all of which date from the 19th century, contemporaneously with and as part of the emergence of the correlative national state functions. International financial flows have equally involved international political-economic regulation, whether this means the Gold Standard of the IMF. Even in matters which Vogler would presumably consider ‘political’, such as labour regulation, it is instructive that the ILO was established with a classically tripartite, ‘corporatist’ structure before academics even devised this label to apply to national state forms. It is easy to dismiss such international structures as ramshackle and relatively powerless, but they are so only in relation to some idealised functionalist view of the all-powerful sovereign state, whereas in reality *all* state structures are ramshackle and ineffective, since society is primarily structured by the contradictory processes of capital accumulation-class struggle.

Vogler is not the first to identify as a central social issue the disjunction created by the increased international integration of capital over the past 30 years and the still largely national basis of most state structures (see the seminal article by Robin Murray, whom she does not cite, in *New Left Review* No. 67, 1971). The discussion has moved on a little since then, however,

198 and I and others have criticised the analysis of internationalised economic vs. national political relations. What we have emphasised is that the new phase of international concentration and centralisation of capital is itself a reaction to and an attempt to master the increasing class antagonisms of the anti-fascist struggles and the post-war period, and argued that it has involved new transformations of the international state system, which are themselves contradictory (Vogler misrepresents some of this work on p. 58, and then ignores it; see Holloway & Picciotto, 1980; Picciotto & Radice, 1971; Fine & Harris, 1979: p. 160, cited in Radice 1984, and Picciotto 1983). Indeed, my own view is that it is precisely at the international state level that corporatist structures have flourished most, in the sense of undemocratic and secretive forms of regulation involving direct intervention into the processes of capital accumulation by negotiation between state officials and managers of big capital (and, sometimes, representatives of social interest groups, such as trade unions).

It is undoubtedly true that the national orientation of the trade union and labour movements in countries such as Britain, and of structures of political legitimation more generally, has strengthened the role of TNCs in dominating the process of restructuring of capital in the crisis of the 1980s. However, as I have also argued previously (Picciotto, 1984: p. 15), although it is true that so far international restructuring of capital has been carried out without any major crash, by processes of devalorisation and reorientation of capital that have been largely internal to giant companies (with the crucial support of finance capital and the state), this has not been without difficulty, and has resulted, as Andreff has argued (Andreff, 1984), in a displacement of the crisis onto

the international financial system, and the new and acute contradictions opened up in 'peripheral' industrialised capitalist countries. Thus the struggles of the working classes in countries like Brazil and South Africa are an integral part of the current capitalist crisis, as well as an important part of the present international class struggle.

Anyone who has been involved, however peripherally, in international political meetings, whether they are of trade unionists, feminists, anti-nuclear militants, ecologists, or activists for third world development is aware of the important complementarities that can be seen and built upon when there is a genuine contact and exchange of experience between those in struggle. At the same time, it is only too easy to see the ways in which not only nationalism but also national and international state structures tend to channel and sectionalise those struggles. Class unity always requires a struggle to overcome sectionalism, whether it is on a national or international basis, and no Marxist, least of all Marx himself, ever imagined that international working-class unity would arise fully-fledged from the ruins of the nation-state. But it is more than ever clear today that a correct class perspective must be internationalist in dimension.

References

- Andreff, W. (1984) 'The international centralization of capital and the re-ordering of world capitalism', *Capital & Class* 22, 59-80.
- Fine, B. & Harris, L. (1979) *Rereading Capital*, Macmillan.
- Holloway, J. & Picciotto, S. (1980) 'Capital, the state and European integration', in *Research in Political Economy*, ed. Zarembka, JAI Press, 3, 123-154.

- Lowy, M. (1976) 'Marxists and the national question', *New Left Review* 96, 81-100.
- Murray, R. (1971) 'The internationalization of capital and the nation-state', *New Left Review* 67, 84-109.
- Nimni, E. (1985) 'The great historical failure: Marxist theories of nationalism', *Capital & Class* 25, 58-83.
- Picciotto, S. & Radice, H. (1971) 'European integration, capital and the state', *Bulletin of the CSE*, vol. 1, no. 1, 32-54.
- Picciotto, S. (1983) 'Jurisdictional conflicts, international law and the international state system', *International Journal of the Sociology of Law* 11, 11-40.
- Picciotto, S. (1984) 'The battles at Talbot-Poissy: workers' divisions and capital restructuring', *Capital & Class* 23, 5-17.
- Radice, H. (1984) 'The national economy: a Keynesian myth?', *Capital & Class* 22, 111-140.

Challenging the figures: a guide to company finance and accounting
Christopher Hird

London, Pluto Press, 1983, 262 pp., £5.95

Reviewed by Robert Bryer

ALTHOUGH this book describes itself as a '... completely re-worked and expanded ...' version of Christopher Hird's earlier well-known book *Your Employers' Profits* (Pluto, 1975), there are no fundamental changes, and it would be more accurate to call the new book an update incorporating new company law and accounting standards. The subtitle of the new book refers to 'company finance and accounts', implying a concern with all three areas of accounting and finance (financial accounting, management accounting and finance) but in fact it is solely concerned with financial accounting. Its objective is to help workers find and understand published reports and accounts so that they

'... will be better equipped to fight ... sackings, closures, speed up and wage cuts ... and to argue for alternatives which challenge the apparent inevitability of the management's case ... (by) ... understand(ing) the financial truth about the company they are dealing with' (p. 5).

Few objectives can be more important for the labour movement than removing the current widespread ignorance amongst

200 its members of accounting and finance. Accounting really is the 'language of business', and knowledge of it is a necessary condition for understanding the detailed workings of capitalism.

The book is very firmly presented as '... a handbook ... not designed to be read from cover to cover' (p. 7). No other books or courses of study are recommended because it is believed that 'company accounts, like capitalism itself, are complex, but they are not difficult' (p. 4):

'Workers have learnt how to read technical manuals and absorb them so that the knowledge ... comes as second nature ... (and to) ... understand the most complex pay rate systems ... (and) ... (t)here is no reason why they cannot do the same with the annual accounts of companies' (pp. 3-4, my insertions).

This is an oversimplification. Familiarity with wage systems and technical manuals comes from experience, education and training. Handbooks and manuals can only ever provide the detail needed to resolve issues to which the user has become sensitised by education and experience. They cannot sensibly substitute for that education or experience. Whilst it is true that '... accountancy is not so complex an art that it cannot be understood by a reasonably intelligent layperson' (p. 3), it is impossible to accept that untrained workers with (typically) no working experience of accounting could, simply by using a handbook, hope to compete against management teams who increasingly have some formal training in accounting, and invariably have working experience of it. Also, of course, management teams invariably include professionally-trained accountants. The truth is that accounting is a large and complex subject in its own right, and to understand and use it effectively its study must be supplemented by

the study of management sciences and economics. Published financial accounts are designed and intended for use by shareholders who these days have their investments managed for them by professional investment (or in the USA 'financial') analysts who have had an extended education in '... accounting, economics, industrial organisation, specific industries and quantitative methods ...' (Sharpe, 1981: p. 539). Unfortunately, most of the book describes the information available in annual reports and accounts and how to get it; there is virtually nothing on how to use it.

The rest of the book is preoccupied with the variety, flexibility and supposed subjectivity of accounting techniques, and this is its guiding theme:

'The main purpose of this book is to help workers understand ... (that) ... the annual report and accounts produced for shareholders ... may reveal that a company is *deliberately understating its profits or, just as important for workers, deliberately overstating its financial strength*' (p. 3, my emphasis).

In the belief that 'profit figures are not facts, they are just opinions' (p. 3, quoted from Dev, 1980), the book aims to dispel the '... tremendous mystique ... built up around financial accounts' (p. 3) so that workers feel able to '... *argue* with the figures, because many are based on opinion and subjective judgement' (p. 3, my emphasis). This view was popularised in the newly-created financial pages of the press in the 1960s (the author of *Challenging the Figures* is a journalist), but it is a view that has never been widely shared by those who prepare or use published accounts. As a prominent accounting academic puts it:

'Whether the press really knows as much

as it should about accounting is open to argument. A prevailing view among accountants, and shared by some journalists, is that while financial writers know more today than in years before, they still show considerable naivete – especially as regards the conduct of an audit and the application of accounting principles' (Zeff, 1972: p. 64).

In one sense the application of accounting principles to issues of valuation (for example, stock valuation, depreciation, and the treatment of research and development expenditure, dealt with in chapter 15 of the book) is 'subjective' because value depends upon future events that are uncertain, and must be estimated. However it is naive to assume that these estimates are open to extensive manipulation. As a senior member of the accounting profession has put it:

'If profit is not uniquely determinable, it clearly becomes vital to know *who* has determined it. What is his interest in producing a rosy result rather than a sombre one? What evidence has he collected to support the picture he paints? What skill does he have in painting such a picture at all?

As soon as we get a firm grasp of the kind of thing a set of accounts is, we begin to get a clearer idea of the role of the reporting accountant. His function is to *lend credibility* to the financial statements. There are good reasons (he states . . . (if he agrees with management's view) . . .) why this view of the facts should be believed, trusted and acted upon' (Morrison, 1977, p. 268, my insertion).

Challenging the Figures says virtually nothing about the role of auditors yet it is largely because of their work, that published accounts are so useful to shareholders for valuing companies, especially

when used in conjunction with other background information (Beaver, 1981). Neither management teams nor public auditors would long remain in employment if the expectations of investors aroused by published accounts were consistently or often frustrated.

Once it is realised that it is management's *plans* that underlie the financial accounts, and not simply their desire to fool workers, the opportunity arises for workers not only to argue with the application of accounting techniques but, more importantly, to use the accounts as a basis for understanding and arguing with the plans that underlie them. This in essence is how shareholders and their agents, particularly investment/financial analysts, use financial accounts.

The crucial importance of workers using the accounts to understand management's plans is well illustrated by the subject of 'inflation accounting' (or, more accurately, current cost accounting (CCA)). Unfortunately, simply 'challenging' rather than using inflation-adjusted figures misses the wood for the trees.

Predictably, the book's view of CCA is that it is hopelessly subjective:

'CCA contains many opinions and judgements which produce, in the end, only another way of looking at what is going on in a company, not an account of what is happening in real life' (p. 161).

'CCA accounts do not show the "true profits" any more than any other part of the accounts. They reflect opinions and judgements and are open to manipulation like the rest of the accounts' (p. 172).

However, the real purpose of introducing current cost accounting was to get the management teams of the large manufacturing companies to check, after the oil crisis of 1974, how profitable their business would be if they continued to reinvest in

202 them using modern equivalent assets and, if they were not going to be profitable enough on this basis, which parts should close and when (Bryer & Brignall, 1985).

Many of the UK's large manufacturing companies had been made vulnerable to cost increases by years of low investment (Bryer, Brignall & Maunders, 1984a), and the very low or negative inflation-adjusted returns that began to be reported after 1974 were a clear signal that for these companies closures were imminent (Thompson, 1981).

Guest Keen and Nettlefolds (GKN) and Courtaulds were typical of the companies for which CCA was introduced. *Challenging the Figures* notes that for GKN inflation adjustments reduced its pre-tax profits in 1980 from £30 million to a loss of £1.2 million, and comments that 'this low level of profits is unlikely to be typical of GKN in future' (p. 161). The implication is that CCA results had no predictive significance. The same view is taken of the CCA results for Courtaulds:

'... it is clear that some companies which are losing money under CCA are just as likely to survive as some which are making money under CCA: compare the fortunes of Courtaulds (profits down 90 per cent under CCA) and ICC (profits up 8.4 per cent)' (p. 169).

However, between 1979 and 1982 both Courtaulds and GKN were two of the largest creators of unemployment in the UK, shedding 45,000 and 22,000 jobs respectively (Bryer, Brignall & Maunders, 1982)! In fact, over this period 27 companies, largely from six sectors of manufacturing industry, shed some 400,000 jobs (a third of the increase in unemployment in manufacturing over the same period), and these sectors had been identified by investment analysts using crude inflation adjustments as long ago as 1973 (Cutler & Westwick,

1973; Parker & Gibbs, 1974). Thus, it is impossible to accept the book's conclusion that inflation accounting '... amounted to little more than a public relations stunt to persuade people that companies were not after all, highly profitable' (p. 157).

The urgency of the government's intervention in the inflation accounting debate in 1973 by the establishment of the Sandilands Committee of Inquiry into inflation accounting (Westwick, 1980); its rapid adoption by the managements of precisely those companies that were to run down through the seventies and particularly the early eighties (Bank of England, 1980); the stock market response (Thompson, *op. cit.*; for the USA see Lustgarten, 1982), and the large international literature on inflation accounting stretching back to the 1920s (Whittington, 1983), all suggest that it had real decision-making significance far beyond its possible impact on wage claims or as the basis of company taxation. And so it has proved. Company managements have made extensive use of it in plant closure decisions (Dearden, 1981; Scapens, Southworth & Stacey, 1983).

Unfortunately the view promulgated by *Challenging the Figures* has long dominated the labour movement and even though the 'Sandilands Committee' (HMSO, 1975) emphasised in its terms of reference its concern for the effects of inflation '... upon investment and other management decisions ...' (p. iv), the TUC decided not to submit any evidence '... on the grounds that ... (it) ... (w)ould be dealing with technical accountancy matters' (p. 51). This was a grave mistake because, as the Sandilands Committee put it:

'To the extent that management and investors have not been fully aware of the impact of changing prices on the profitability of their companies, we believe that implementation of our

proposals will lead to decisions being taken to secure improved returns. This may involve changing patterns of investment and introducing programmes to increase efficiency and to reduce costs' (p. 219).

In plain English, CCA would reveal which companies were vulnerable to plant closures and bring pressure on management to make the necessary decisions.

In the final chapter the exclusive emphasis on the subjectivity of financial accounting takes *Challenging the Figures* down a strategic blind alley. Although the objective of the book was initially to enable workers to 'understand the financial truth . . .' it is now admitted that although

'(m)ost of . . . (the) . . . book is about understanding the published accounts of companies and trading enterprises . . . (this) . . . is . . . (only) . . . a useful starting point in getting to grips with business finance and learning some of the skills and confidence to challenge all sorts (sic) of management figures' (p. 260, my insertions).

Because financial accounts are seen to be of little real use, refuge is finally sought in demanding access to management's own plans and accounts. However, although these would ' . . . provide a detailed financial picture of a company and its plans' (p. 262), because in the foreseeable future these are likely to be in scarce supply this advice creates a strategic dilemma: on the one hand financial accounts are seen to be inadequate, but in practice management accounts are simply unavailable. This is a recipe for doing nothing. Fortunately, in reality, understanding financial accounts in the context of broader economic developments is a readily available means of understanding management strategies and decisions, with or without their agree-

ment. Paradoxically perhaps, the private control of wealth is today largely based on public information, but the labour movement has yet to recognise or assess the implications of this for challenging investors' and managements' plans. With a modest investment in business and financial education the labour movement could be at least as informed as investors, but currently its rising stars exclusively study the social sciences. Unfortunately, the complacency of *Challenging the Figures* will do nothing to change this bias.

References

- Bank of England (1980) 'Inflation and management accounting', *Bank of England Quarterly Bulletin*, June.
- Beaver, W.H. (1981) *Financial accounting, a reporting revolution*, Prentice Hall.
- Bryer, R.A., Brignall, T.J. & Maunders, A.R. (1982) 'How BSC lost its surplus', *The Accountant*, November.
- Bryer, R.A., Brignall, T.J. & Maunders, A.R. (1984a) 'The origin of closures in UK manufacturing industry', in H. Levie et al (eds), *Fighting Closures*, Spokesman.
- Bryer, R.A., Brignall, T.J. & Maunders, A.R. (1984b) 'The case for shadow planning', in H. Levie, op. cit.
- Bryer, R.A. & Brignall, T.J. (1985) 'The demystification of inflation accounting: a case study in divestment from UK manufacturing industry', *Warwick Papers in Industry, Business and Administration* No. 16, May.
- Cutler, R.S. & Westwick, C.A. (1973) 'The impact of inflation accounting on the stock market', *Accountancy*, March.
- Dearden, J. (1981) 'Facing facts with inflation accounting', *Harvard Business Review*, July-August.
- Dev, S. (1980) Inaugural lecture, London School of Economics, 25 February.
- Lustgarten, S. (1982) 'The impact of replacement cost disclosure on security prices: new evidence', *Journal of Accounting and Economics*, 4.

- 204 Morrison, A.M.C. (1977) 'The role of the reporting accountant today', in W.T. Baxter & S. Davidson (eds), *Studies in Accounting*, ICAEW.
- Parker, P.W. & Gibbs, P.M.D. (1974) 'Accounting for inflation – recent proposals and their effects', *Journal of the Institute of Actuaries*.
- Scapens, R.W., Southworth, A.J. & Stacey, G.H. (1983) *Case Studies in Current Cost Accounting*, Institute of Chartered Accountants in England and Wales.
- Sharpe, W.F. (1981) *Investments*, second edition, Prentice Hall.
- Thompson, A.P. (1981) 'Inflation accounting has helped share selection or separating the sheep from the goats', *Investment Analyst*, October.
- Westwick, C.A. (1980) 'The lessons to be learned from the development of inflation accounting in the UK', *Accounting and Business Research*, Autumn.
- Whittington, G. (1983) *Inflation accounting – an introduction to the debate*, Cambridge University Press.
- Zeff, S.A. (1972) *Forging accounting principles in five countries*, Stipes.

Disorganized Capitalism

Claus Offe

Oxford, Polity Press, 1985, £25 h/b, £8.95 p/b, 366 pp.

0-7456-0085-9 0-7456-0086-7

Reviewed by John Urry

LET ME BEGIN by indicating my personal interest in the topic of this book. I too believe that there are a set of transformations in contemporary societies which involve the 'disorganising' of western capitalism. This thesis is to be elaborated in *The End of Disorganized Capitalism* written with Scott Lash and to be published during 1986. My criticisms of Claus Offe's book then indicate a number of aspects in which our work happens to differ from his – although in many ways they should be seen as complementary works. Indeed since Offe's writings are probably the most important single contribution to the analysis of the sociology of contemporary western societies, there is a very strong sense in which our book could not have been written without Offe's seminal contributions.

In one way this is a disappointing volume. It principally consists of ten previously published papers (mainly in German) some of which are now quite a few years old. The 'Introduction' is really too brief and sketchy to carry the range of the rather disparate chapters that the book contains. Indeed the very term 'disorganized capitalism' is not really elaborated in any detail at all. Offe suggests that rather than developing a counter-model to the

notion of 'organized capitalism', he is concerned only to propose a heuristic perspective revolving around the following questions. Do the procedures, organisations and institutional mechanisms that supposedly *organise* the social-political systems of contemporary welfare state capitalism actually fail to perform this function, and if so what are the consequences thereof? In general he is concerned to challenge a number of received doctrines about contemporary capitalism, viz., the centrality of the labour-capital cleavage, the presumed homogeneity of interest of those on either side of this division, the separability of factual power and legitimate authority, the universalistic character of liberal democratic institutions, the fairness of the rule about 'majority' decision-making, the neutrality of bureaucratic modes of administration, the non-governmental role of pressure groups, and the possibility and desirability of full employment. Offe argues that if these assumptions are rendered implausible then this indicates that there is a 'political disorganisation' of the patterns of welfare-capitalist democracies themselves.

Briefly, I will mention a few of the more substantial chapters. In that on the political economy of the labour market Offe provides a complex semi game-theoretic analysis of the structure and dynamics of the labour market position of different groups, an analysis designed to show why the theoretical anticipation of comprehensive class conflict can be doubted. Particular attention is directed at those workers in the labour market who possess ascribed alternative roles outside that of the market. In the following chapter a somewhat convoluted discussion of the possibility of institutionalising 'informal' modes of useful activity is to be found. This is in turn related to an interesting discussion of the growth of service industry

analysed via the needs for system integration and for social integration. The growth of such service employment is related to various symptoms of an increasing heterogeneity of labour; this combined with the declining determining power of wage-labour, and the reduced significance of the work ethic, all render problematic theories of social structure and conflict which are based on the notion of a work-society and its organising powers. Probably the most outstanding of the chapters is that on the contrasting logics of collective action engaged in by labour and capital, and in particular the organisational weakness of the former compared with the latter. The former must necessitate a dialogical form of organisation and this renders it far less effective in the struggle with capital. The possibilities of interest-distortion are greater in the former and this is one reason for the development of trade union opportunism as a systematic organisational practice.

This chapter has though been available in English and already much discussed. The other chapters have not and unfortunately they do not amount to a systematic analysis of *disorganised* capitalism in general, or of its relative development in different societies. The chapters contain some clever and illuminating discussions of trends which undoubtedly have to be confronted but they do so without grappling either with changes in patterns of accumulation which may account for various observable trends, or with aspects of spatial restructuring implied by new forms of accumulation. In short, this is a very worthwhile volume but it is not a systematic analysis of the causes and consequences of the dissolving of existing forms of the 'organising' of contemporary capitalism.

Europe and the People Without History
Eric R. Wolf

Berkeley, University of California Press,
1982. £3.25 p/b, 503 pp
ISBN 0-520-04893-9

Reviewed by Robert Miles

ANALYSIS OF the international development of capitalism over the past fifteen years or more has been dominated to a large extent by the theoretical and historical work of Andre Gunder Frank and Immanuel Wallerstein. To a significant extent, their work, and the work of those who accept their theory and method, constitutes a rebuttal of the claim that comes from various quarters that Marx's work, and Marxist analysis generally, is Eurocentric and has little or no significance for those parts of the world outside the heartland of Western Europe and North American capitalism. But the thread that links Wallerstein and Frank leads back to that of Paul Sweezy, and hence to the famous debate of the 1950s over the reasons for the transition from feudalism to capitalism, a debate that is grounded ultimately in competing definitions of the nature of capitalism. That debate has continued and the critique of exchange or circulationist conceptions of capitalism, as opposed to the conceptualisation of capitalism as a mode of production, is now well understood.

But that debate has a tendency towards sterility when it fails to develop beyond the articulation of competing accounts of 'what Marx really meant'. Part of the significance of the work of Frank and Wallerstein lies in the fact that it offers a theoretical explanation for historical evidence concerning the impact of capitalist development on the periphery. Hence, the real challenge of their work to those who question their conception of the essential features of capitalism is to offer a 'better' explanation of that evidence using the alternative conception of capitalism as a mode of production. Herein lies the significance of this fascinating and stimulating book by Eric Wolf, because he too is as largely concerned with the effects of capitalist development in Europe upon the 'people without history'. But he grounds his historical analysis in a conception of capitalism as a system of generalised commodity production in which the relations of production take the form of the interdependence of capital and wage labour.

Wolf's concern is to write the history of those peoples who were, from the fifteenth century, increasingly incorporated into the expanding economic and political relations of Europe. He pays particular attention to the effects of that expansion upon the indigenous populations of the Americas, Asia, China and the Pacific and upon the population forcibly removed from Africa to the Caribbean and then exploited as slaves. He argues that prior to the mid-eighteenth century, this expansion and incorporation was determined by the activity of merchants' capital which transported commodities from the non-capitalist modes of production to Europe where the capitalist mode of production was emergent but not dominant until the late eighteenth century. Thereafter, under the domination of the capitalist mode of

production, there was a qualitative change in the exchange networks that were expanded and created because only then did they become harnessed to the capital accumulation process. But Wolf is careful to emphasise that these parts of the world outside Europe did not necessarily undergo a transition from a non-capitalist to a capitalist mode of production. He claims that, in many cases, non-capitalist relations of production were specifically conserved in certain parts of the capitalist world economy.

The value of Wolf's text lies partly in the quantity of historical and anthropological evidence that he assembles to write the history of 'historyless peoples' and to show how their economic, political and ideological relations were changed or even obliterated by European expansion. The chapter on the development of the fur trade is particularly useful for European readers who tend to focus on the Caribbean and South America but not North America when writing the history of exploitation and genocide. These various populations, and their cultural intercourse, are analysed against the background of a theorisation of three distinct modes of production, capitalist, tributary and kin-ordered. Additionally, following Mandel, Wolf distinguishes between the capitalist mode of production and the capitalist world market, a distinction which he uses to trace the relationship between the capitalist mode of production and other modes of production and to highlight the economic, political and ideological heterogeneity of those societies that constitute Frank and Wallerstein's catch-all concept of periphery.

Inevitably, some readers will be able to find fault with Wolf's particular theorisation of non-capitalist modes of production, although that is an issue upon which agreement is perhaps impossible in current

circumstances. Perhaps, more seriously, he often fails to relate his rich and detailed historical and anthropological material to his theorisation of distinct modes of production, with the result that the reader remains uncertain about how to characterise the relations of production employed by various peoples who are incorporated into the circuits of merchants' and, later, industrial capital. Other readers will note that there is a silence about the history of certain peoples. There is only perfunctory attention given to Australia and New Zealand, while the peoples of what in Europe is conceived of as the Middle East are largely ignored. Indeed, the discussion of the 19th and 20th century expansion of capitalism is very selective. For this reviewer, the most significant silence in this book concerns Wallerstein's argument that capitalism is specifically characterised by the combination of free and unfree labour, an argument that allows him to take account theoretically of the historical evidence concerning the continuing prevalence of non-wage relations of production. Wolf has a very homogeneous conception of the relations of production in those parts of the world he sees as characterised by the capitalist mode of production, a conception that is not easily sustained by the historical evidence and so Wallerstein's challenge remains unanswered. But these limitations should not detract from the scale of Wolf's achievement: his attempt to write a history of 'historyless peoples' within a Marxist framework should be widely welcomed for its historical and empirical scope and for its utilisation of a theory of modes of production. This book deserves to be widely read and discussed.

On Living In An Old Country – The National Past in Contemporary Britain
Patrick Wright

London, Verso, 1985, 256 pp, £18.50 h/b,
 £5.95 p/b

ISBN 0-8609-18335 0-86091-1276

Reviewed by Bob Lumley

THERE ARE few books published that immediately excite curiosity and provoke discussion, books that express a mood and set of preoccupations while also providing the means with which to think through them. *On Living In An Old Country* is one of them. Reading it can be compared with the experience of looking through a window when you not only see outside but catch the reflection of yourself and the room you're in. It personally implicates the reader. In fact, the book's title, sepia colour and the faded photo of a Victorian interior on the cover express introspection. It both reflects and reflects on what it means to live in *the* 'old country' haunted by memories where history itself has become the most powerful source of contemporary understanding about what Britain is and what it means to be British.

Patrick Wright himself describes the germination of his project, explaining how he sees Britain 'as if from the outside' on his arrival back after five years in the 'New World' of North America. He found himself, moreover (it was 1979), faced with a Thatcherism busy resurrecting Victorian

values and relaunching Britannia, and was therefore struck by how a national past was being mobilised as part of a broad political programme. It is the connection between a 'deep sense of Britishness' and the Right that the essays in 'On Living' aim to unravel. There is, perhaps, little novel about this when Thatcherism has been talked about endlessly. However, Wright deliberately avoids using the jargon of the Left, anecdotes, stereotypes and other short-cuts used to describe 'Britishness'. He chooses unusual angles to view old issues, and homes in on details that make you look again at the whole. He tries to sustain and communicate a sense of distance and astonishment, aided by the uncomfortable illustrations by Andrzej Krauze.

His starting-point is always his own personal experience of living in Thatcher's Britain and ultimately his appeal is to that of his readers.

We have travelled a long way down from the mountain-tops of theory where Althusser led us. No more 'social formations', 'levels', or, indeed, 'ideology', nor the 'bearers' to carry them. However, Patrick Wright insists on the need for theoretical frameworks with which to make sense of social processes, and claims himself to have found them in the Marxist tradition associated with Lukacs, Benjamin and the Frankfurt School, which Althusser had peremptorily dismissed. In particular, Agnes Heller's concepts are drawn on. For Wright their value lies in offering the means with which to reinstate subjectivity in the social process, and to distinguish between forms of 'particularity' and 'individualism'.

Such a task is argued to be crucial in the context of a Thatcherism which finds its appeal on an idea of the individual and a Left blunted to aspirations in apparent conflict with its models of solidarity.

The question of 'agency' is a familiar one. However, Wright approaches it not in terms of History with a capital 'H', but through 'everyday life'; this is seen both as 'an instinctive, subconscious unreflected mechanism of acting and living', and as 'a world whose dimensions and potentialities an individual can control and calculate with his abilities and resources'. This conceptualisation is at the heart of Wright's book. On the one hand, it sets about revealing the intimate mechanisms whereby a national past has been 'naturalised' and acts as a hidden reservoir for exclusivist and racist definitions of *particularism*. On the other, it explores some of the possibilities for a heterogeneous society opposed to creeping bureaucratisation and rationalisation.

An exemplification of the latter is found in the story Wright tells of May Alice Salvidge, a woman who, despite her age, literally moved the Tudor house she has been living in for 20 years rather than accept its demolition and rehousing. The past here becomes a resource on which the individual draws; it is that 'valued realm of personal meaning, traditional integration and predominantly ethnical understanding' which is counterposed to the logic of history represented by the bulldozer. Then in a penetrating analysis of Orwell's 1984 account of how the destruction of a sense of the past is an essential part of any programme to make people subservient, Wright makes a case of the values of 'authenticity' and 'aura' attached to our immediate environment. However, he warns against the sort of nostalgia cultivated by the labour movement which he sees as contributing to the image projected of it as 'historic' and, therefore, outdated. Above all, the past, and especially the national past, is shown to be used as a means for achieving ruling-class hegemony.

In the aptly titled 'A Blue Plaque for 209 the Labour Movement?' Wright takes the episode of Michael Foot's duffle coat to examine how the Establishment sought to impose its own version of the past and rituals of remembrance. In 'Trafficking in History', he looks at the role of the National Trust and Shell publicity in representing 'our heritage', while another essay deals with the meanings given to the raising of the Mary Rose which took place during the Falklands war. He reminds us of the massive presence of the imperial past in the media, rituals and cities, of the country. History and 'everyday life' interact to produce a web of complicity and sense of belonging; the Crown and Monarchy become the Royal *Family*, while the national heritage is expanded to include the old factory and urban tenement alongside the municipal art gallery and country house.

On Living In An Old Country is most interesting when it analyses the part that people themselves play in creating a national past. For example, the restoration of a Victorian terrace house entails a set of choices both social and aesthetic which has implications for the neighbours and the neighbourhood. The ambiguities are painful to whoever, like Patrick Wright, has heightened historical and political sensibilities. For him, 'authenticity', in this instance, has largely normative, class connotations, and he welcomes the non-white, non-middle class people who defy attempts to enforce architectural 'purity'. In fact, he deplores the invasion of his 'native' Stoke Newington by the newly arrived middle class and professional owner occupiers who bring with them wine bars, wholefood shops and Victorian fittings. Their appreciation of the area's history is seen as an aspect of its colonisation. There is a take-over even on the public highway; 'The traditional push-

210 bike rider is liable to be overtaken . . . by more correctly clad and non-smoking owners of Claud Butler racing bicycles.' At this point (with Wright sounding like Orwell on vegetarian, sandal-wearing socialists) the author himself reveals a stake in defending his sense of time and place against what are all-but described as unconscious agents of Thatcherism. In the process, he exposes the serious weaknesses of his book.

The weaknesses are, firstly, the exaggerated significance attached to Thatcherite orchestrations of the national past, and, secondly, the accompanying failure to look at counter tendencies. These stem from Wright's Marxist loyalty to a conception of the working class which fuels his distaste for the new petit bourgeoisie.

On Thatcherism, Wright tends to assume that it is a seamless web, whereas there are significant differences within Conservatism over what constitutes the 'national past' that are simply ignored. St John Stevas, for instance, cultivates a Bagehot-inspired reverence for a cult of heritage at odds with Thatcher's philistine utilitarianism. These differences come into their own when the leadership is losing credibility. Moreover, the sense of Britishness associated with the Falklands war, far from showing a continuity with the past, shows the distance between Britain now and in previous decades, opening up a gap between rhetoric and posture, and banal *everyday* realities. Wright does not allow for such contradictions to develop because he is so concerned to demonstrate the power of certain uses of the past to envelop the 'nation'.

The conflictual side of preservative and conservative ideas and movements is regarded as entirely secondary. Yet, in an epoch when nuclear power stations are established in the heart of heritage country and pollution is a growing issue, the tradi-

tional Left/Right labels look increasingly inadequate, as the German Greens have shown.

The so-called 'new movements', of course, have their roots in conflicts over issues such as the environment, health and control over social resources which are inter-class and have members of the new petit bourgeoisie as leading protagonists. Like it or not, some of the main challenges to Thatcherism and its definition of Britishness come from this constituency, which also overlaps with the 'radical' owner occupiers so despised by Wright.

It is therefore a major failing that he does not bring these counter-tendencies into this picture because it means that change is only viewed from the point of view of loss. There is no attempt, as in Marshall Berman's *All That Is Solid Melts Into Air*, to identify the possibilities changes offer for a more open and culturally mixed life in the city. Maybe in Britain, unlike the United States, there is greater cause to be pessimistic. But while the intelligent pessimism of Patrick Wright is designed to be constructive, his bleakness reflects his attentiveness to all that is backward – looking to the exclusion of the more hopeful signs.

British Social Attitudes: the 1985 Report
editors, Roger Jowell & Sharon Witherspoon
 Gower, Aldershot, 1985, pp. 260. £9.95
 p/b, £18.50 h/b, ISBN 0 566 00751 7 p/b

Reviewed by Andrew Gamble

THIS BOOK presents a selection of findings from the second SCPR survey on attitudes in Britain. These are annual surveys intended to build up a detailed picture of trends in social attitudes. The value of mounting surveys that allow the results to be compared with the data of previous surveys has long been understood in studies of voting behaviour, but funding for a series of linked surveys has never been easy to raise. The full value of this particular series will only emerge after it has been running for several more years. But already it is providing some very interesting insights into popular attitudes on a wide range of issues.

The book is divided into seven chapters written by different authors. The questionnaire and sampling methods are listed in appendices. The fieldwork for this survey was completed in Spring 1984 at a time when the Conservative government was still riding high in the polls only a year after its 1983 general election victory. What the results of the survey suggest is just how unpopular the present government might become. On a surprisingly large number of issues the government is

out of step with popular opinion. One indication of this was that the Conservative party was labelled 'extreme' by 48% of the sample, compared with 41% who thought the same about Labour, and 6% about the Alliance.

On a range of economic issues Ken Young demonstrates that government policies are out of favour. There was 2 to 1 support for control of prices by legislation and for the introduction of import controls. Wage controls were less popular – 53% opposed them. Yet even here 41% were in favour. On the issue of public ownership Ken Young notes that the argument has shifted since 1979 from being concerned with more or less nationalisation to being concerned with more or less privatisation. There is however no more support for new measures of nationalisation. The only group in the sample which strongly supported privatisation was Conservative partisans.

Even stronger opposition to government policy was revealed in responses to questions about public investment and welfare. There was overwhelming support for creating jobs through new construction projects; and only 5% of the sample supported reduction in welfare services, even when these were linked directly to tax cuts. Health and education easily topped the list when the sample was asked to give their priorities for increased public spending.

On other issues such as attitudes towards unemployment benefit and the gap between high and low incomes the only group out of line with the majority opinion in the sample was Conservative partisans. All other groups, including Conservative non-partisans thought unemployment benefit was too low and did not favour any widening of the gap between rich and poor. There was a similar rejection of government policy on

212 local government. Large majorities were opposed to greater national control of local government. Only Conservative partisans (once more) differed from the rest of the sample.

There is a mine of information about attitudes in all the chapters. In the chapter on defence and foreign affairs Paul Whiteley notes the continuing large majorities against unilateralism, but he also draws attention to other findings such as that 54% of the sample agreed with the statement that Russia and the US were equally grave threats to world peace. He also comments on the fact that France and Japan are not perceived by a majority of the sample as having a higher standard of living than the UK.

This survey reveals how little popular attitudes towards public policy have shifted under the Thatcher government. The new consensus the Thatcherites would dearly love to see is still far from being achieved. The repeated isolation of Conservative partisans within the sample is striking. The opportunity that exists for the opposition parties and the electoral dangers for the government are plain. This book is an important addition to our knowledge about the popular impact of the policies of the Thatcher government.

Fiona Atkins teaches in the Department of Economics at Birkbeck College, London.

Paul Bew teaches at Queen's University, Department of Politics, Belfast.

Rob Bryer lectures in the School of Industrial and Business Studies, University of Warwick.

Allan Cochrane is a lecturer in Urban Studies at the Open University. He has researched and written widely on the local state, local economic policies and the political context of alternative socialist strategies at the local level.

Angus Erskine works for the Centre for Employment Initiatives in Edinburgh, and is a member of the Lothian Review of Social Security.

Andrew Gamble lectures at the Department of Political Theory and Institutions, University of Sheffield.

Haldun Gülalp has taught at the Middle East Technical University, Turkey, and is currently doing a PhD in Sociology at the State University of New York, Binghamton.

Bob Lumley is a member of the academic reserve army of labour and lives in London.

Robert Miles is a lecturer in Sociology at the University of Glasgow. He has authored *Racism and Migrant Labour*, co-authored *Labour and Racism* and *White Man's Country: Racism in British Politics*, co-edited *Racism and Political Action in Britain* and written a number of papers on various aspects of racism and migration. He is currently completing *Anomaly or Necessity? Capitalism and Unfree Labour*.

Ronnie Munck lectures in Sociology at the University of Ulster. He has written *Ireland: Nation, State and Class Struggle* and is the co-author of *Belfast in the Thirties: An Oral History*.

Sol Picciotto teaches at Warwick University, Department of Law.

Felton Shortall studied at Plymouth Polytechnic and the University of Sussex. He now lives in Brighton and has been a member of CSE since 1982.

Carlos M. Vilas is an Argentinian social scientist who has lived in Nicaragua and worked for the Sandinista government for several years. He is currently a researcher at CIDCA (Centre for Documentation and Research on the Atlantic Coast) in Managua.

Nira Yuval-Davies teaches sociology in Thames Polytechnic, London.

Notes on Contributors

Photocopying and reprint permissions

Single and multiple photocopies of extracts from *Capital & Class* may be made without charge in all public educational institutions or as part of any non-profit making educational activity provided that full acknowledgement is made of the source. Requests to reprint in any publication for public sale should be addressed to the author(s) of specific articles.

Membership

CSE MEMBERSHIP

25 HORSELL ROAD, LONDON N5

CAPITAL AND CLASS

Please start/continue my subscription from number:

I enclose:

	UK	Overseas
Full	£ 9.00	£10.00
Reduced (student, unemployed)	£ 6.00	£ 6.00
Supporting	£20.00	£20.00
Airmail	—	£20.00
International	£27.00	£27.00

C&C BACK ISSUES: Please send the following issues

Numbers 4–19 (£1.00 each)

Number 21 and subsequent issues
(£3.00 to members, otherwise £3.50)

Please state which issues:

Cheques: Payable to *CSE Membership* and kept separate from CSE Books. Non-sterling cheques: Please add bank clearance charge of £1.00. In all correspondence, including subscription renewal, please quote reference number from address label.

Change of address: I have changed my address from

Name:

Address:

Please complete:

Job/activities:

Subjects of interest:

Institutions if any:

Region:

NORTHERN IRELAND
SOCIAL SECURITY
THATCHERISM
RACISM
NICARAGUA
DEVELOPMENT
CAPITAL
LIS
REVIEWS

CAPITAL&CLASS ● 28

ISSN 0309-8768

£3.50

